

New energy min. Donmez takes over duty from Albayrak

Anadolu Agency, 10.07.2018



Turkey's newly appointed Minister of Energy and Natural Resources Fatih Donmez takes over his new post from Berat Albayrak with a handover ceremony on Tuesday.

Speaking at the ceremony, Donmez said the ministry continue its works with renovated institutions as part of the new Presidential System. "In the new system, there will be less institutions, less managers therefore there will be faster and high performance government," Donmez said. "We will continue our way with these new institutions.

"We learnt a lot from our minister [Albayrak]. We are thankful to him for building up the most powerful and dynamic period in the history of the Energy and Natural Resources Ministry," he noted. New Treasury and Finance Minister Berat Albayrak also said that Turkey put forward a very important roadmap for energy sector in the last 2,5 years. "We created a system which is independent from any individuals. Many energy projects for 2023 are well prepared," Albayrak said. President Recep Tayyip Erdogan has unveiled the new 16-minister Cabinet in the presidential complex in the capital Ankara, the first-ever Cabinet under the new presidential system, which became a reality on Monday. Fatih Donmez became Turkey's new Minister of Energy and Natural Resources as part of the first cabinet, while former Energy and Natural Resources Minister Albayrak became new Treasury and Finance Minister. Born in the western Bilecik province in 1965, Fatih Donmez served as undersecretariat at the Energy and Natural Resources Ministry since December 2015 before his current promotion to energy and natural resources minister.

Turkey committed to more missions in NATO

Hurriyet Daily News, 12.07.2018



President Recep Tayyip Erdoğan attended a crucial summit of NATO leaders in Brussels on July 11-12, where Ankara proposed to the alliance further contribution to upcoming missions and a new command structure.

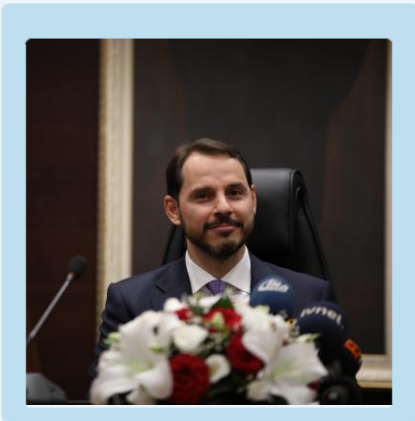
Refuting claims that Turkey is dragging itself away from the alliance, NATO Assistant Secretary-General for Public Diplomacy Tacan İdem said Ankara is actually increasing its contributions to the bloc. Ankara has proposed the alliance to allocate the Turkish army's military headquarters.

They were came together in Istanbul for the new land command structure of NATO, he noted. The headquarters, which was already used as a NATO mission, will be offered with increased capacity, he said. Turkey will likely send a deputy commander to NATO's newly-launched training mission in Iraq, along with contribution of further trainers, İdem told the Hürriyet Daily News. As a third proposal, Turkey will assume the command of NATO's Very High Readiness Joint Task Force (VJTF) in 2021, he said. On the sidelines of the Brussels summit, Erdoğan had a series of bilateral meetings with leaders. In their first encounter after the elections in Italy, Erdoğan met with Italian Prime Minister Giuseppe Conte.

Erdoğan also met with France's Emmanuel Macron for discussions that came after months of strain between Ankara and Paris over the latter's given support to Syrian Kurds. Erdoğan had bilateral meetings with his Ukrainian counterpart Petro Poroshenko and Bulgarian President Rumen Radev. The Turkish president had a brief encounter with Iraqi Prime Minister Haidar al-Abadi. He invited Bosnia's Bakir İzetbegovic and Azerbaijani President İlham Aliyev to the office of Turkey's permanent NATO representation for a trilateral meeting. Erdoğan had his last meeting with Greek Prime Minister Alexis Tsipras. The meeting comes amid a spat between Ankara and Athens over Turkey's detention of two Greek soldiers caught in Turkish territory near the Meriç River in March. Turkey is furious over Greece's repeated refusal to extradite the eight fugitives who had fled to Greece and were granted asylum by the Greek Council of State and released after coup attempt in 2016.

Turkey to expand Central Bank's operational range, Albayrak vows

Hurriyet Daily News, 12.07.2018



Turkey's new treasury and finance minister has sought to reassure financial markets worried by his appointment and concerned over the independence of the Central Bank by saying it was unacceptable that its independence is "subjected to speculation," while vowing the Bank would be "more effective than ever" in the new era.

"The independence of the Central Bank and its decision-making mechanisms cannot be a subject of speculation," Berat Albayrak, who is also President Recep Tayyip Erdoğan's son-in-law, was quoted as saying by the state-run Anadolu Agency on July 12.

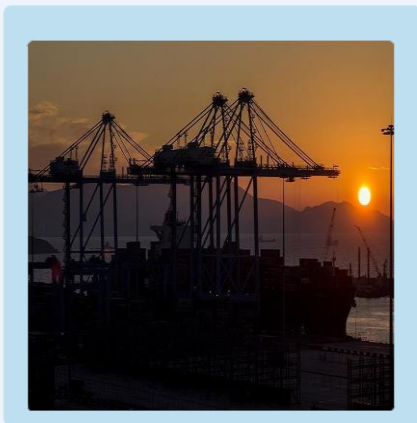
He said the Central Bank's capacities should be widened in pursuit of price stability. "One of the main aims of our policies in the new period is a Central Bank that is effective like never before," he said. "In the new era we will support the Central Bank carrying out a more predictable, straightforward, and decisive monetary policy," he noted. Albayrak said their main priority would be reducing inflation with the help of monetary and fiscal policies. This June consumer prices in Turkey rose 15.39 percent compared to the same month last year, the Turkish Statistical Institute (TÜİK) announced on July 3. The minister added that policies would be determined within the scope of a sustainable and consistent growth target by prioritizing budget discipline, structural reforms, and single-digit inflation. His comments came after Moody's highlighted concern about the independence of the Turkish Central Bank early on July 12, saying that further challenges to its effectiveness would be negative for Turkey's sovereign rating.

In a note to clients, Moody's said changes to the governance of the Central Bank suggested its resolve to tighten monetary policy could weaken in the coming months. This week President Recep Tayyip Erdoğan appointed his son-in-law and former Energy Minister Albayrak as the country's treasury and finance minister, hours after being sworn in to a newly strengthened executive presidency. "It is the further challenges to the effectiveness of the Central Bank that are most clearly credit negative at this point, given the importance of that institution's role in addressing the growing imbalances in Turkey's economy and financial system," Moody's said. Albayrak's comments helped the lira make up some of its losses from late July 11, trading at 4.8 to the dollar, a gain in value of 2.1 percent on the day. Turkey's embattled lira slumped almost five percent to new record lows in value against the United States dollar late on July 11, hit by worries about economic management and monetary policy under Erdoğan's stronger executive presidency.

The lira weakened to a record low of 4.9767 against the dollar late on July 11. The currency opened the July 12 trading at around 4.83 against the greenback. The lira has shed nearly 25 percent of its value against the U.S. currency so far this year. "We have many instruments. I believe we will see interest rates fall in the period ahead," Erdoğan told reporters after his first foreign trip on July 10 following his inauguration. "I am sure not just our state banks but our private banks will shoulder responsibility if necessary," he added. Economists are urging tighter monetary policy to fight inflation. Fall-out from Turkey's tumbling lira hammered banking shares on July 11, sending the Istanbul stock market to its biggest one-day fall in two years. The main share index dropped more than 5 percent while bank stocks lost 9 percent in their worst day for five years. Investors are mainly selling bank stocks, reflecting fears that Turkish lenders could face a wave of bad debts as overextended companies struggle to repay foreign-currency loans. Turkish firms had \$225 billion in long-term, overseas borrowings as of April, almost all in dollars or euros, Central Bank data shows. The Istanbul bourse's index of bank stocks fell 9.19 percent by the July 11 close, recording its biggest one-day fall since June 2013, according to Reuters data. The BIST 100 stock index fell 5.18 percent, recording its biggest one-day fall since a failed military coup in July 2016. The yield on Turkey's benchmark 10-year bond rose to 18.48 percent from 17.36 percent at close on July 10.

Turkey: Current account gap at \$5.9B in May

Anadolu Agency, 11.07.2018



Turkey's current account deficit has widened by \$516 million year-on-year, to reach nearly \$5.88 billion in May, the central bank announced Wednesday.

The country's 12-month rolling deficit reached \$57.6 billion in May, according to the Central Bank of the Republic of Turkey report on balance of payments. The goods deficit rose by \$678 million to \$6.498 billion while primary income gap increased by \$214 million to \$1.156 billion in the month. "Services item recorded net inflow of \$1,907 million, increasing by \$768 million compared to the same month of the previous year.

Mainly it is stemming from a \$549 million net increase in travel revenues observing as \$1,697 million in May 2018," it said. Meanwhile, the country's current account gap in the first five months of this year amounted to \$27.7 billion, rising from \$10.2 billion compared to the same period last year. On Monday, Anadolu Agency Finance Desk's survey of 14 experts predicted the current account deficit at \$5.5 billion in May. Economists also forecast the year-end current deficit average at \$53.6 billion. Turkey's annual current account deficit in 2017 was around \$47.3 billion, compared to the previous year's figure of \$33.1 billion. According to official figures, the country's highest annual current account deficit in the last 20 years was in 2011 with \$74.4 billion.

Turkish Treasury borrows over \$1.9B through auctions

Hurriyet Daily News, 11.07.2018



The Turkish Treasury borrowed a total of nearly 9.1 billion Turkish liras (\$1.93 billion) from domestic markets on Tuesday, according to an official statement.

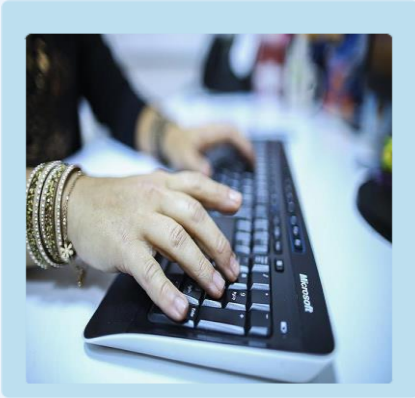
The Treasury Undersecretariat reported that 3.58 billion Turkish liras (\$760 million) in two-year fixed coupon government bonds (semiannually, re-open, eighth issue) were sold in an auction. The government bonds will be settled on Wednesday and mature on Nov. 13, 2019. The total tender amounted to 7.33 billion Turkish liras (\$1.56 billion) with a 48.8 percent accepted/tendered rate.

The Treasury said the term rate of 490-day government bonds was accepted at 9.67 percent, while annual simple and compound interest rates were 19.34 and 20.28 percent, respectively. In Monday's second auction, the Treasury issued seven-year floating-rate government bonds (semiannually, first issue) totaling 2.61 billion Turkish liras (\$555.4 million). The bonds will be settled on Wednesday with a maturity date of July 2, 2025. According to the undersecretariat, the total tender in the second auction amounted to 5.37 billion Turkish liras (\$1.14 billion), with a 48.7 percent accepted/tendered rate. The term rate of 2,548-day government bonds was accepted at 8.71 percent, while annual simple and compound interest rates were 17.41 and 18.17 percent, respectively. In the day's last auction, the Treasury issued 10-year fixed-coupon government bonds (semiannually, re-open, fourth issue) totaling 2.89 billion Turkish liras (\$614.3 million). The bonds will be settled on Wednesday with a maturity date of March 8, 2028. According to the undersecretariat, the total tender in the second auction amounted to 5.1 billion Turkish liras (\$1.1 billion), with a 56.4 percent accepted/tendered rate.

The term rate of 3,528-day government bonds was accepted at 8.44 percent, while annual simple and compound interest rates were 16.89 and 17.60 percent, respectively. The Treasury has also borrowed nearly 12.5 billion Turkish liras (\$2.75 billion) from domestic markets via three auctions on Monday. As noted in the undersecretariat's domestic borrowing strategy, a total of 19 auctions is planned to be held from this June through the end of August.

OECD unemployment rate continues to fall

Hurriyet Daily News, 10.07.2018



After starting the year at 5.4 percentage points, in May the OECD unemployment rate dropped 0.1 percentage point for the second consecutive month to reach 5.2 percent, the OECD said on Tuesday.

A total of 33.2 million people were unemployed in the OECD area in May, with some extra 500,000 unemployed compared to April 2008 -- on the eve of the global financial crisis -- and some 16.1 million less compared to its peak in January 2013. The unemployment rate in the euro area was stable in May -- at 8.4 percent -- reaching 13.7 million people.

In Turkey, the unemployment rate dropped to 9.9 percent in the first quarter of the year -- totaling some 3.16 million people -- versus 10.1 percent or 3.22 million people in the last quarter of 2017. The unemployment rate in the U.S., which started the year at 4.1 percentage points, slipped to 3.8 percent in May, but bounced back to 4 percent in June. The report also said the OECD unemployment rate for youth -- people age 15-24 -- stood at 10.9 percent in May. Figures indicated that youth unemployment fell by 0.3 percentage points in the euro area -- reaching 16.8 percent -- with drops of 0.5 percentage points or more in Italy, Latvia, and Spain for the same period. "However, the youth unemployment rate remained above 30 percent in Greece (43.2 percent in March -- the latest month available), Spain (33.8 percent) and Italy (31.9 percent)," the report said. The next data on this subject will be released on Sept. 11.

Turkey wants good neighborly ties: Defense minister

Hurriyet Daily News, 10.07.2018



Turkey's new National Defense Minister Hulusi Akar on Tuesday expressed his hope that Turkey continues its good relations with neighboring countries.

After being sworn into his new office in parliament, Akar said: "We want to continue our lives in peace, prosperity, and security in friendly, harmonious relations with our neighbors." He added: "We will continue our fight with ambition and determination to ensure that our nation's rights and interests come to no harm." He vowed to continue striving to ensure Turkey's security.

Also he ensure unity, integrity, sovereignty, and independence by mobilizing national and indigenous resources. President Recep Tayyip Erdogan on Monday unveiled Turkey's new 16-minister Cabinet in the capital Ankara. Akar was appointed Turkish Land Forces commander in 2013 and the military's chief of General Staff in August 2015.

Turkey can benefit from trade wars between US, China: Association

Hurriyet Daily News, 09.07.2018



Turkey could gain an advantage from the trade wars between the U.S. and China, according to Ali Osman Akat, chair of the Turkish American Business Association.

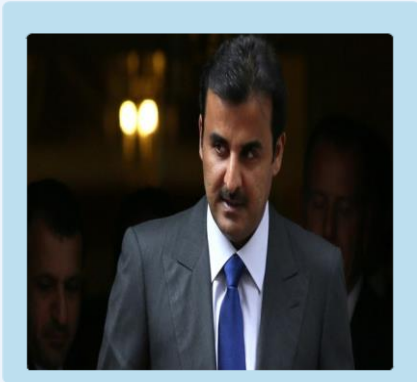
“Compared with the great actors of this crisis, as well as import and export figures of major parties, Turkey will be among the less affected countries in trade wars,” Akat told state-run Anadolu Agency in an interview on July 9. Saying that conventional wars nowadays have been replaced with “global trade wars,” Akat added that opportunities can be explored whenever there is a crisis. “We would be less affected due to the big difference between our exports”

Akat proposed to overcome this by launching Turkish organized industries in the U.S. for being able to produce goods there and offer it to the “huge” American market right away. “On behalf of Turkey, together with our investors and the small, medium and large scale industries, we long to be among the winners of trade wars,” he said.

In March, American President Donald Trump imposed a 25-percent tariff on imported iron and steel, and a 10-percent tariff on aluminum -- since then the issue has been discussed heatedly among the U.S. and its major trade partners. As a result, China said it would impose \$3 billion worth of tariffs, between 15 to 25 percent, on 128 American goods. After Washington’s plan to impose 25 percent tariffs on 1,300 Chinese goods that are worth \$50 billion in April, Beijing immediately said it will place 25 percent tariffs on 106 American goods worth \$50 billion. Trump’s moves to start trade wars, which he predicted would be “easy to win,” have drawn condemnation and retaliatory tariffs worldwide. The U.S. announced that starting on June 1, 2018, it will impose additional duties of 25 percent and 10 percent respectively on imports of steel and aluminum from the EU. According to the European Commission, the U.S. measures affect EU exports worth 6.4 billion euros (\$7.4 billion) and of this amount, the EU will rebalance on 2.8 billion euros (\$3.2 billion) worth of exports immediately. On July 6, the U.S. government has officially begun implementing tariffs worth \$34 billion on Chinese imports signaling the start of a trade war. The U.S.’s trade deficit with China was around \$375 billion in 2017.

Qatar discussed S-400 missile deal with Russia, emir says

Daily Sabah, 06.07.2018



The leader of Qatar said Friday that he had discussed buying an advanced air defense system from Russia with President Vladimir Putin, but that no decision had been taken.

News that Qatar might be on the verge of buying the S-400 missile system has alarmed the gas-rich Gulf state's neighbor Saudi Arabia, which is reportedly lobbying hard to try to stop the acquisition. French newspaper Le Monde reported last month that Saudi Arabia had even written to France warning that it might take military action if Qatar went ahead with the purchase.

"I don't want to go into details," Emir Tamim bin Hamad Al-Thani said at a press conference in Paris after talks with President Emmanuel Macron when asked about the issue. "There is no agreement. It's true that we discussed it, we talked about it." In June 2017, Saudi Arabia, Bahrain, the United Arab Emirates and other allies severed ties with Qatar and began an economic blockade over allegations that it was backing terrorism and regional rival Iran. The S-400 is the latest generation surface-to-air defense system developed by Russia and is considered by NATO countries to pose a threat to their aircraft. Russia has deployed it in Syria and is also in talks to sell it to NATO member Turkey. Qatar's emir last met Putin in March in Moscow, and they are set to hold talks again during the latter stages of the World Cup in Russia, local media reported.

Seoul denies forcing North Koreans to defect

Hurriyet Daily News, 11.07.2018



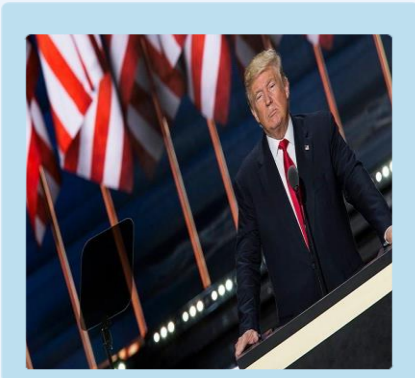
A South Korean government spokesman insisted Wednesday that a dozen North Korean restaurant employees who defected to the South in 2016 did so "of their own free will".

The case drew global attention at the time because North Korea accused Seoul of abducting the group, who are known to have left their posting in China in April 2016. South Korea has officially welcomed thousands of defectors seeking to escape Pyongyang's authoritarian regime, but the restaurant staff were supposedly loyal citizens who had been allowed to work overseas. "I understand that the workers came to the South of their own free will."

Unification Ministry spokesman Baik Tae-hyun told reporters according to Yonhap News Agency. "I have nothing more to say about that." A day earlier, the UN special rapporteur on human rights in North Korea asked for an independent investigation, having spoken to some of the defectors in question. "It is clear that there were some shortcomings in regards to how they were brought to South Korea," Tomas Ojea Quintana was quoted as saying by Yonhap. "From the information I received from some of them, they were taken to [South Korea] without knowing they were coming here," he added. Moreover, the defectors' former restaurant manager implicated Seoul's intelligence agency when he told a local broadcaster in May that he had deceived his staff members when bringing them to the South. South Korean prosecutors are looking into the case, which has been shrouded in secrecy to protect the identities of the defectors, given that North Korea has regularly been accused of persecuting the relatives of citizens who willingly escape the country.

US readies \$200 billion in additional Chinese tariffs

Anadolu Agency, 11.07.2018



The U.S. on Tuesday announced it is readying 10 percent tariffs on an additional \$200 billion worth of Chinese goods as Washington and Beijing escalate their growing trade war.

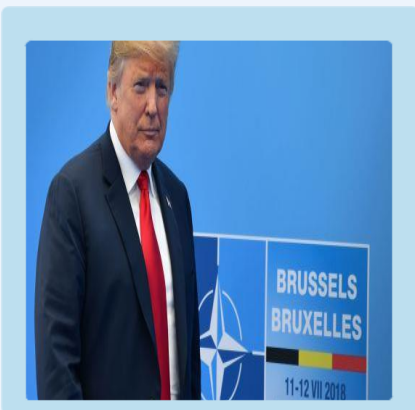
U.S. Trade Representative Robert Lighthizer released the list of wide-ranging goods that could be penalized following a public hearing and comment period. The Chinese goods include meat, ornamental fresh and saltwater fish, a host of seafood including eel and bigeye tuna, burglar and fire alarms, fruits and vegetables, baseball gloves and rubber-based products.

Last Friday, the U.S. imposed 25 percent tariffs on \$34 billion worth of Chinese goods to which China quickly retaliated with an equivalent amount of penalties on American goods. Lighthizer called China's retaliatory levies "without any international legal basis or justification", stressing Washington took action to correct China's "abusive trading practices with regard to intellectual property and innovation". "China has been engaging in industrial policy which has resulted in the transfer and theft of intellectual property and technology to the detriment of our economy and the future of our workers and businesses," he said in a statement. President Donald Trump threatened China with escalating economic penalties last month if Beijing does not acquiesce to his demand to narrow the U.S.-China trade imbalance and halt other "unfair practices", threatening the additional \$200 billion in tariffs announced Tuesday if China did not change course and change its trade practices.

The latest wave of tariffs will reportedly go into effect sometime after the end of August. Lawmakers have increasingly voiced concern over Trump's protectionist economic policies, and Tuesday's actions drew quick concern on Capitol Hill. Republican Senate Finance Committee Chairman Orrin Hatch said the announcement "appears reckless and is not a targeted approach". "We cannot turn a blind eye to China's mercantilist trade practices, but this action falls short of a strategy that will give the administration negotiating leverage with China while maintaining the long-term health and prosperity of the American economy," he said in a statement.

Trump says NATO allies have agreed to increase their defense spending after crisis meeting

CNBC, 11.07.2018



President Donald Trump launched another blistering attack over NATO leaders' failure to increase defense spending Thursday morning, prompting members to hold an unplanned emergency session.

Breaking from a carefully-scripted meeting widely expected to focus largely on Ukraine and Georgia, the U.S. president reportedly reaffirmed his position that the 29-nation bloc should reach their 2 percent spending target as a matter of urgency. "We had a very intense summit," German Chancellor told reporters after the meeting. On the first day of talks in the Belgian capital;

The U.S. president publically accused Germany — the second biggest state in the Western defense alliance — of being "totally controlled" by Russia. He suggested a string of energy oil and gas deals had given Moscow far too much influence over the continent's largest economy. Both Germany and Russia have since dismissed Trump's accusation.

National Retail Federation CEO says Trump's tariffs 'aren't going to work,' will raise consumer prices

CNBC, 12.07.2018



The Trump administration's tariffs against China are hurting American consumers instead of resolving trade issues with country, National Retail Federation president and CEO Matthew Shay told CNBC on Wednesday.

"This is like a trillion dollars worth of economic activity potentially subject to tariffs," Shay said on "Squawk Box." "Tariffs don't work, they never worked, and they're not going to work this time either." Shay was responding to the latest round of tariffs released Tuesday the Trump administration. The 10 percent tariffs, which could take effect in September, targets furniture, handbags, appliances, electronics.

U.S. retailers have already been hit hard by the administration's import taxes and retaliatory tariffs from Canada, Mexico, China and the European Union. As the catalog of goods facing tariffs expands with each round, retailers have to adapt — sometimes by increasing prices for consumers — without an end to the conflict in sight, Shay said. Shay compared these troubles to the tax reform policy that President Donald Trump signed into law a few months ago. "Tax reform made us more competitive," he said. "It encouraged consumption and investment. It was good for American families. Tariffs are exactly the opposite." Shay said that he hopes the administration will sit down with Chinese leaders to discuss the tariffs and China's intellectual property violations.



Announcements & Reports

► *Introduction: Japan's pivot in Asia*

Source : Chatham House
Weblink : <https://www.chathamhouse.org/publication/ia/introduction-japans-pivot-asia>

► *Risks and Opportunities in International Affairs*

Source : Chatham House
Weblink : <https://www.chathamhouse.org/publication/chatham-house-expert-perspectives-2018-risks-and-opportunities-international-affairs>

► *NATO: Measuring Results, not Dollars, in Transatlantic Security*

Source : CSIS
Weblink : <https://www.csis.org/analysis/nato-measuring-results-not-dollars-transatlantic-security>

Upcoming Events

► *Strategies and Tools for Counterterrorism Cooperation*

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

► *Facilitating Humanitarian Assistance in South Sudan*

Date : 17 July 2018
Place : CSIS Headquarter
Website : <https://www.csis.org/events/facilitating-humanitarian-assistance-south-sudan>

► *Supporting Democracies in Challenging Times*

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



► *Fighting Financial Crime 2018*

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

► *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>