

Quote of the week - “Beijing’s propaganda tsunami of shrill, shameless sophistry ahead of the South China Sea tribunal decision is a sign of the contempt it holds for non-Communist Party-led rule of law.” - Bill Bishop, publisher of the Sinocism China Newsletter - *Bilingual in Chinese after six years of formal Chinese language studies , with a BA from Middlebury College & an MA from John Hopkins’ SAIS¹, he has since 1989 lived off & on in China, most recently for a decade ended last year², but is now based in Washington, D.C.*

Alberta economic outlook worst ever? - The TD Bank says Alberta is in the midst of “one of the most severe recessions” ever & that its economy to shrink this year by 6.5% (vs. declines, *during other periods of oil price weakness*, of 5.5% in 2009, 2.8% in 1986 & 3.1% in 1983).

Beidaihe - Located on the coast in Hebei Province, 285 miles East of Beijing, this city of 66,000 is a popular beach resort. For many years, China’s current & past leaders met here every July in an informal, *open-necked, tie-less*, setting for closed door discussions of the affairs of the state. Once suspended by Hu Jintao, China President from 2002 to 2012, they were revived by Xi & this year’s version (that no doubt will be attended by Hu) convened last Friday, July 16th.

Calgary commercial vacancy rates - The overall office vacancy rate in the city core is now said to be 22% with that in older buildings (some of which are in danger of just being demolished) being as high as 50%, with three new buildings under construction to add another 2.5MM square feet of new space to the supply by 2018. Small wonder that a Second Quarter update from Colliers noted that “at historical absorption rates, it could take five to ten years before returning to a balanced downtown vacancy rate of eight percent to ten percent” (if it were realistic to assume “historical absorption rates”).

The negative yield phenomenon spreads - On July 18th the CIBC sold 1.25BN Euro’s worth of six-year ‘covered bonds³’ at a negative 0.009% yield to maturity - *be that as it may, demand was so strong that the size of the issue was actually double that originally envisaged.*

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G20 FINANCE OFFICIALS MEETING IN CHINA COULD SUPPORT ECONOMIC GROWTH AMID BREXIT UNCERTAINTY (South China Morning Post)

¹ School of Advanced International Studies, last year rated by Foreign Policy the No.2 school in the US for studying International Relations.

² Which makes him one of a growing number of formerly China-based American media types who have recently been returning to the US, often after long absences.

³ Similar to one-time “revenue bonds”, they are backed by (& have a first claim on the revenue stream of?) mortgages or public sector debt. According to Terry Carr, Head of Canadian Fixed Income at Manulife, “They are ... absolutely safe and tend to be at, or near, a triple-A rating”.

- According to the IMF the G20 finance ministers' & central bank governors' meeting in Chengdu, Sichuan Province should agree on a broad-based approach to support consumer demand, limit private sector debt & implement structural reforms to combat deepening growth. In a briefing note it prepared for them made public on July 21st it tells them that reducing the uncertainty surrounding Britain's exit from the EU would help limit its adverse impact. And it told China to adjust its macroeconomic policies to adjust for a moderate slowing of its economic growth, to limit the expansion of credit and to switch from off-budget investment activities (*the funding of SOE activities?*) to on-budget measures to boost consumption. This came two days after it had, due to the uncertainty caused by the June 23rd Brexit vote, cut its global growth forecast by 0.1% each to 3.1% for the current-, & 3.4% for next-, year.

As one analyst put it 'China growth fears have been replaced by Brexit ones'. And there have been suggestions that the new May government in Britain may wait for several years before formally initiating the two year time frame for exiting the EU.

RELIABLE ALERT FLASHES RECESSION WARNING (G&M, Scott Barlow)

- Economists are increasingly anxious about the flatness of the US yield curve (the difference between the yield on short-, & long-, term UST securities) that factors in market views on future economic growth & inflation. For it is at a level not seen since 2007 & only 120 bps (i.e. 1.2%) away from negative territory (a level that historically has been a *precursor* of recessions). Thus in a July 1st research report Deutsche Bank fixed income analyst Dominic Konstam wrote "The yield curve is signaling a 60-per-cent chance of a recession in the next 12 months ... The last two U.S. recessions were preceded by low 70-per-cent probability readings, which could happen [if the 10-year bond yield falls] another 40 basis points.

While correct in a historical context, the utility of the yield curve as the harbinger of a recession may have been eroded by the Fed's 'unconventional' monetary policy machinations..

U.S. DATA BUOY OUTLOOK (Reuters)

- The Commerce Department reported on Friday July 15th that in June U.S. retail sales had been up for the third month in a row, by 0.6% MoM (triple May's 0.2%) to a level up 2.7% YoY, as Americans bought more motor vehicles⁴ & other goods. In addition, the month had also seen a big increase in industrial production due to strong manufacturing & utilities' output. But inflation was also rising. This & the rally on Wall Street could justify a Fed interest rate increase later this year.

The data can fuel the views of both optimists & pessimists.

CONNECTING THE DOTS (Mauldin Economics. Tony Sagami)

- Wall Street expects 2Q S&P 500 earnings to be down (in this case by 5.6% YoY) for the fifth quarter in a row. And Moody's has cut its outlook for the retail industry from

⁴ The raw data don't quite seem to substantiate this claim : June motor vehicles sales were 16.7.0MM, down from 17.4+MM in both May & April, from October 2015's 18.24MM record & from 17.0MM in the year-earlier month.

“positive” to “stable”, saying “We have scaled back our growth and outlook expectations for the US retail industry primarily due to weakness in four sub-sectors : apparel and footwear, discounters and warehouse clubs, department stores and office supplies.”

- According to ARG (Summerville, SC-based America’s Research Group) 47% of Americans receive government benefits & 20% more are ‘too poor to shop’ (typically pulling in <US\$30,000 annually *from multiple jobs*), with ARG CEO Britt Beemer saying “The poorest Americans have stopped shopping, except for necessities.” And even those not quite as badly off are struggling : nearly half of Americans haven’t had a salary increase in five years, 28% have seen their take-home pay reduced by higher medical insurance deductions, 47% of Americans couldn’t come up with the US\$400 needed for a doctor’s visit, & two-thirds of Americans have no savings to speak of.

Regardless of what Moody’s says about discounters, NYSE-listed Dollar General, with 12,000+ stores in 43 states, in its last quarter (that ended in April) exceeded Wall Street’s 94¢ EPS expectation by 10%, with YoY earnings growth of 22%, rather than 12%.

WALL STREET IS TORN OVER THE MOST CONTROVERSIAL NUMBER IN THE STOCK MARKET (Yahoo Finance, Sam Ro)

- On July 18th the S&P 500 hit an intraday high of 2,143.16 & closed at 2,137.16, up 220% from its March 2009 bottom⁵. But for this seven-year bull market to continue, there must be a pick-up in earnings growth, especially so after five consecutive quarters of earnings declines. And while the experts broadly agree that earnings growth will accelerate in the Second Half, after that things get more uncertain; for, while until recently the consensus was for S&P 500 earnings next year to be up 13.5% YoY, a number of the Wall Street strategists who factor into this consensus estimate have begun to raise doubts about this number, with Morgan Stanley’s Adam Parker on July 18th opining “We are in the odd position of thinking that this year’s numbers might be achievable but next year’s are likely way too high ... Historically, bottom-up numbers start the year too high, averaging 14% ... in January ..., only to finish at 6% ... In 34 of 40 years, bottom-up earnings estimates proved to be too high, and *in all six years they were too low were recession recoveries or the year later.*”, & JPMorgan’s Dubravko Lakos-Bujas telling clients in a recent note “For those placing faith in the grossly enthusiastic consensus EPS growth assumptions in the coming years, these hockey-stick projections will likely be revised down sharply ... Over the last ten years, the consensus growth estimate for the following year was typically revised down by about 5% ... Since the consensus 2017 EPS growth of 14% is based on unrealistic assumptions of 7% sales growth ... and a +50bp margin expansion, we expect an even sharper revision of next year’s EPS estimate.”

On July 14th Lawrence D. Fink, CEO of BlackRock Inc., with AUM of US\$4.737TR as of last March 31st the world’s largest asset manager, warned that the current, post-Brexit, rally may be “short-lived” unless corporate earnings in the US pick up. And according to Davis Rosenberg, Gluskin Sheff’s Chief Economist (& prior to that Merrill Lynch’s Chief North American Economist) “We went from modest fear back to greed and complacency very quickly”, quoting high valuations, the growing number of bulls & the crowded long trade as reasons for caution.

⁵ As one market commentator put it ‘the best stock market rallies typically have occurred when prices are racing to catch up with improving profit outlooks’ - if so, this is not one of those times, not only is the profit growth/margin expansion looking iffy, but the market’s P/E ratio, at 20 plus times reported earnings, is well in excess of their longer term 16x average.

THE RICHES OF DONALD TRUMP (Bloomberg News, Caler Melby)

- Since he became a candidate to be the GOP standard bearer in this year's Presidential race, Trump has maintained his net worth is US\$10+BN. But according to the latest version of the Bloomberg Billionaires Index⁶ it was just US\$3BN. One reason for the difference stems from the valuation of his personal brand : Trump's is US\$3BN & Bloomberg's US\$35MM, & another that he capitalizes the value of management fees & royalties at 100x-, & Bloomberg at 1x-, the annual revenue they generate.

Elsewhere it is noted that he has loaned his campaign only US\$50MM (almost the exact proceeds of the bonds & stocks he sold in the past year), which, he said last month, he doesn't ever expect to recoup. And he may be relatively cash-poor; for according to Bloomberg the value of his liquid assets shrank during the past year from US\$225MM to US\$175MM (i.e. by the amount he loaned to his campaign).

CANADA'S PUSH FOR CLOSER CHINA TRADE TIES HITS PROBLEMS (Reuters)

- Canada's push for closer trade ties with China has slowed amid unease about the extent of economic access to Canada Beijing wants & its human rights record, impacting on what had been a top priority for Prime Minister Justin Trudeau, whose election last fall had been warmly welcomed by Chinese leaders. So he may trim earlier plans for a full week's visit to China in conjunction with the September 4-5 G-20 Summit in Hangzhou, just South of Shanghai, to a shorter one featuring more symbolism & less focus on trade.

Another reality check?

CHINA'S CONSUMER BOOM RISKS SLOWING AS INCOME GAINS MODERATE (BB)

- Data released on July 15th showed that First Half household income growth was 6.5%, down from 7.6% YoY. And this may get worse as officials want to curb pay gains to keep China's industry competitive with rival nations' with lower production costs & Finance Minister Lou Jiwei saying salary increases have risen faster than productivity in recent years, which is "not sustainable in the long run".. As *Chinese* shoppers become an increasingly crucial growth driver, any erosion of their ability to buy will weaken the scope for a consumer-led growth offsetting the weakness in exports, which in turn would threaten the government goal of having GDP grow by 6.5% per year through 2020.

Elsewhere it was noted the broadest measure of credit growth beat all 29 analysts' projections.

SOUTH CHINA SEA : 'PROVOCATIVE US ACTION' COULD PROMPT FASTER CHINESE MILITARY BUILDUP (South China Morning Post)

- Military experts say China might (*or is likely to?*) accelerate its military build-up if the US makes more "provocative moves" in the South China Sea following the recent ruling by a

⁶ Based in his case on, among others, information he disclosed to the Federal Election Commission last May, mortgage filings, property records, leasing agreements, annual reports from his European golf courses, market data on rent, occupancy & capitalization rates, sales of hotels & condos, and interviews with people familiar with his assets

The Hague tribunal *that denied the validity of China's (seemingly over-ambitious) territorial claims there*. According to Beijing-based military expert Li Jie, a senior researcher at the PLA's Naval Studies Research Institute, China prepared a series of military options in case of a *possibly adverse* ruling by the Permanent Court of Arbitration in The Hague on the contentious South China Sea case brought by Manila against Beijing & that "The Chinese leadership will decide which military options should be taken, based on how provocatively the US challenges China's national sovereignty ... China might announce an ADIZ/Air Defense Identification Zone (*that would require all aircraft in it to file its flight plan with China's Ministry of Foreign Affairs - which the US almost certainly would refuse to do*).

- On July 12th photos were posted on the mainland military website Haohanfw.com showing China's guided missile destroyer Yinchuan joining the Hainan-based South Sea Fleet, just hours before the tribunal announced its ruling, being added to the three other 054D Class destroyers assigned there over the last two years. And the US Navy Times reported last week that the US had sent the guided missile destroyer USS Spruance to join two others, USS Stethem & USS Momsen, to conduct patrols within 14 to 20 nautical miles of islands *built by China* at the Scarborough Shoal & the Spratly Islands (Beijing considers any US patrol within 12 nautical miles of them an intrusion into its territorial waters). In addition, two carrier groups centred on the USS Ronald Reagan & the USS John Stennis have been in the South China Sea since last year (although the latter left on July 5th & it is not clear whether the Pentagon will send a replacement). And on July 11th, shortly before the The Hague ruling, the PLA Navy finished week-long naval drills around the disputed Paracel Islands, the key message of which, according to Beijing-based Song Zhongping, a former instructor at the PLA Second Artillery University, was "to show China has become more confident and capable of defending its core interests in the waters". And according to Xinhua the two new airports on the Mischief & Subi Reefs are now capable of handling planes like the mid-size Cessna CE-680 (suggesting they also should be able to handle China's newest home-grown military aircraft, the Y-20, a big tank-, & troop- carrying plane, like the US' C-17 Globemaster, that went into service recently).

In his recent visit to China to meet his Chinese counterpart, Adm. Wu Shengli, (who has been top dog in the PLA Navy since 2006) to express US concerns about China's extensive claims in the South China Sea, the US Navy's Chief of Naval Operations, Adm. John Richardson, was told point blank that China was ready to counter "any aggression" in the South China Sea.

TORRENTIAL RAIN HITS BEIJING (Xinhua)

- On July 20th Beijing was hit by seldom torrential rain. As of 4 p.m. the average in the city was 154.9 mm/6.1 inches, with the suburban Fangshan district getting 392.4 mm/15.4 inches. And in Tianjin, 117 kms/72 miles from Beijing 218.5mm/ 8.6 inches of rain fell in the downtown area between 7 a.m. & 5 p.m. & 359.1mm/14.1 inches in its Hexi district.

As of 8 p.m. 237 flights had been canceled at the Beijing International Airport.

THAILAND BUYS 3 CHINESE SUBS FOR \$1 BILLION (Global Times)

- Prawit Wonsuwon, Thailand's Defense Minister, confirmed on July 5th the purchase of three submarines from China, with the first one to be delivered in six to seven years, justifying this by their 'reasonable price & 10-year payment period' & by the fact his country had considerable marine resources & all neighbouring had submarines, incl.

Myanmar (that recently ordered 10). Zhang Junshe, a researcher at the PLA Naval Military Studies Research Institute told this paper on July 3rd "Since many Southeast Asian countries have been rapidly developing their naval forces, Thailand's ...doesn't want to be left behind."

There is a massive arms race underway in the region; but since it is largely prompted by concern about Beijing's Middle Kingdom dreams, it would seem impractical to buy sophisticated weaponry from it (the decision was likely driven by China's commercial clout). And the proliferation of weaponry in the region could prove akin to farm kids playing with matches behind a hay stack & lead to mini-confrontations between minor players in the region.

JAPAN'S RULING BLOC WINS LANDSLIDE IN UPPER HOUSE ELECTION (Reuters)

- On July 10th Prime Minister Abe's ruling coalition won a landslide victory in the upper house elections (albeit with a near record low 54% turnout) despite concerns about his economic policies & plans to change the post-war pacifist constitution. So it now has the two-thirds "super majority" it needs to revise the constraints on Japan's military (which could strain relations with China where memories of its past militarism run deep & *are actively fanned by Beijing*). Some financial market players are concerned that trying to amend the constitution could divert Abe's energy away from reviving Japan's stuttering economy; thus according to Nobuhiko Kuramochi, Mizuho Securities' Chief Strategist "The key question will be whether he can carry out [economic] structural reforms ... If Abe fails to do so ... that will be negative for a foreign investor's appetite for Japanese stocks (& *a disproportionate share of which are held by foreigners*).
- Abe pitched the election as 'a referendum on Abenomics'. And with it seemingly failing, the government has plans for a post-election stimulus package that could exceed 10 TR yen (US\$99BN) which has economists worried that the government will choose *high profile* big ticket infrastructure projects rather than implement tough structural reforms.

While it may be one for Abe, constitutional amendment is not a priority for voter. And another dollop of Abenomics may, in the absence of politically unpopular structural economic reforms, be like putting lipstick on a pig. And he may be at more risk than generally perceived; for he has been Prime Minister for 43 months, second only to Junichiro Koizumi's 65 months a decade ago-, & an average term in office for Japanese Prime Ministers of 20 months-, in the past three decades, especially since Abenomics has fallen so short of expectations & since any big new spending would jack up Japan's debt-to-GDP ratio to truly meteoric heights & be funded solely by the Bank of Japan.

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TURKEY - A CONVENIENT COUP (G&M, Editorial)

- Turkey President Recep Tayyip Erdogan during last week's *attempted* coup slipped out of the hotel where he had been vacationing in an uncharacteristically modest manner, with just a few aides rather than the usual grandiose entourage, almost as if he knew he wouldn't need much protection. While the failure of the coup is welcome since yet another military regime would have damaged Turkish democracy & other democracies in the region, it is worrisome that he has since engaged in a mass dismissal of many thousands of *military & public service* officials, suggesting he may well have been preparing for just such an eventuality (or opportunity?); at least that is what Johannes Hahn, the *social-democratic Austrian* EU Commissioner handling Turkey's application

for membership *in the EU* believes. Even President Erdogan himself called the abortive putsch a “gift from God”.

The lead sentence is absolute crap : his departure was what the army calls a “bug-out”, an unplanned hasty departure to get out of harm’s way; for Erdogan got out of his hotel in Marmaris⁷ to go to the local airport & fly to Istanbul bare minutes before a three helicopter, 30 men-strong commando unit arrived at the hotel to apprehend him.

WHAT WENT WRONG WITH TURKEY’S WHAT’S APP⁸ COUP (AI-Monitor, Metin Gurcan)

- The coup began the night (*or rather the evening?*) of July 15th. It failed because it was birthed prematurely. Planned for later in the month, it had been moved up to start at 3 a.m. July 16th. But at 4 p.m. on July 15th the national intelligence service MIT learnt from radio & phone intercepts of known Gulenist TSK (Turkish Armed Forces) personnel what was in the wind. Knowing they had been found out, the coup plotters then took the Chief of General Staff, Gen. Hulusi Akar, hostage; but when he wouldn’t sign an order commanding all TSK units to join the coup or to go on TV to tell the nation it had taken over, the plotters had to launch their coup around 9:30 p.m. 5½ hours ahead of schedule. Meanwhile, both the commanders of the first army in Istanbul & of the special forces had also refused to join the coup & *instead* gone public to say that it was not endorsed by the TSK & was illegal. Then at 11 p.m. Prime Minister Binali Yildirim went on TV to inform the public of the coup attempt & at 11:30 p.m. President Erdogan did so urging the public to take to the streets against the coup, a call he repeated upon his 3 a.m. arrival at Istanbul’s Ataturk Airport (when the coup had, *for all intents & purposes*, collapsed & its planners were on the run).
- Those involved were a combination of members of the Fethulah Gulen Terror Organization (FETO), secularists who oppose the ruling AKP party & (*the increasingly Islamic & self-aggrandizing?*) President Recep Tayyip Erdogan, ambitious pragmatist senior officers, military personnel that had been blackmailed into joining & lower ranks who couldn’t defy orders under the TSK’s absolute obedience culture.

The primary reason for the coup’s timing was the forthcoming meeting, in early August, of the Supreme Military Council which rules of the promotion & appointment of senior military personnel. For it was expected to affect FETO partisans in the TSK chain of command since its high command had swung to the government’s/Erdogan’s) view that they needed to be purged.

HOW LONG CAN TURKEY’S POST-COUP UNITY LAST (AI- Monitor, Sukru Kucuksahin)

- The weekend’s coup attempt failed due to a rare display of unity in a deeply divided nation that included opposition parties & media *usually* critical of the government, thus offering a glimmer of hope Turkey’s long-standing polarization could be thawed some. Early this month, a heavyweight member of the ruling AKP party, Cemil Cicek, a party co-founder & former Speaker of Parliament, used Ankara’s new slogan of “more friends, less enemies” in the region to make an appeal that, following the fence-mending deals

⁷ A city on the ‘Turkish Riviera’ at the very Southwestern tip of Turkey, whose year-around population of 30,000 swells ten-fold during the tourist season.

⁸ The plotters used the WhatsApp messaging to communicate, not the most secure way to do so.

with Russia & Israel^{9 10}, efforts should be made to heal the country's internal strife. And Prime Minister Binali Yildirim, an Erdogan loyalist¹¹ unlikely to say anything he doesn't approve of, supported Cicek's notion several times, while Erdogan himself, who often publicly contradicts his ministers, keeping silent on the issue (taken as a tacit blessing).

- During its 14-year rule, *Erdogan's* AKP party has relied on 'polarization', on omnipresent "enemies" to be fought constantly. Today first among them are the followers of US-based cleric Fethullah Gulen now held responsible for the coup attempt & branded a terrorist but a pro-active AKP 'comrade' for the first 12 years of its rule, and at other times it has been the Kurdish militants & politicians who once were the AKP's partners in a "settlement process", or the opposition parties & the media. While producing electoral victories for the AKP, this alienated large segments of Turkish society, which remain highly demoralized, & gloomy about its future (& the coup attempt has only added to that gloom) & worry about democracy & the direction Turkey is heading.
- And yet, during the coup attempt the AKP found these enemies standing by its side despite the repression they had suffered at its hands & during the July 16th emergency parliamentary session both the Prime Minister & the current Speaker of Parliament acknowledged this and opposition leaders reconfirmed it (while emphasizing democracy & the rule of law). And while Erdogan himself did thank two opposition party leaders, he has't sustained the message of reconciliation in his daily speeches to the crowds of supporters still in the streets in response to his earlier call to confront the soldiers & has lent his support to *their* calls for reinstating the death penalty (any legislative move to act on this would open new political rifts, finish off what remains of Turkey's EU membership prospects & stoke popular fears over the direction the country is headed in).

The prospect of national reconciliation & the fate of Turkey's crippled democracy depends on Erdogan. And the initial indications are not promising. His move to detain 10,000+ people, fire almost 60,000 public servants & revoke the licenses of 21,000 teachers at private institutions has not gone unnoticed . On July 20th his government blocked access to the WikiLeaks website after it put online nearly 300,000 AKP emails going back to 2010. On July 21st Parliament passed a 'state of emergency law' authorizing the government to rule by decree (i.e. do whatever it wants, provided the AKP-controlled Parliament doesn't stop it); but it did so by a vote of just 346-115, i.e. only a few non-AKP legislators voted for it, with one from the main opposition, Alevi Muslim, CHP party calling its passage "a civilian coup against Parliament" & a "display of ingratitude" to all (opposition) legislators who had supported the government the previous Saturday, July 16th, in opposing the coup attempt. And, as Deputy Prime Minister Numan Kurtulmuş told the state-run Anadolu news agency " Turkey will derogate the European convention on human rights insofar it does not conflict with its international obligations." (which

⁹ Which had been soured by the 2010 raid in international waters by IDF commandoes in which ten or so people had been killed on a flotilla of Turkish vessels carrying humanitarian aid to Gaza.

¹⁰ One concrete result whereof was the arrival from Turkey on July 3rd of a containerships n the Israeli port of Ashdod loaded with 11,000 tons of humanitarian supplies destined for Gaza (although Turkey had to conceded Israel's demand that the vessel couldn't go to Gaza directly but would have to go to an Israeli port, with the goods transhipped from there).

¹¹ When Erdogan became President in 2014, Ahmet Davutoglu was elected Prime Minister with broadly-based support. But he quit last May following policy disagreements with the President, with a presidential adviser being quoted as saying that "the country and its economy would stabilize "when a Prime Minister more closely aligned with (or rather more subservient to?) President Erdogan takes office" (and Yildirim certainly seems to fit that bill).

officials insist 'will not affect the lives & freedoms of its citizens' & is no different from what other western powers, most recently France, had done).

Turkish politics has a multitude of parties of which only four have enough voter support to get seats in Parliament. The Justice & Development Party (AKP) party that has ruled the roost since 2002 has a conservative-, & often Islamist-, bent. The Alevi Shia Muslim¹² Republican People's (CHP) party is the main opposition party & calls itself secularist, social democratic & kemalist¹³. The National Movement (MHP) party is far-right & Turkish nationalist. And the People's Democratic (HDP) is social democratic & ethnic Kurdish.

Recep Tayyip Erdogan became Prime Minister in 2002 & for a number of years ran the country moderately well, helped by accelerating economic growth. In 2014 he ran successfully for President (with the idea of turning Turkey's democratic political system into a presidential one, in which the President would have more-, & parliament less-, power). Over the years he became increasingly dictatorial, Islamist & seemingly enmeshed in 'crony capitalism', and economic growth had decelerated. So in the June 2015 parliamentary election he was unpleasantly surprised when the AKP garnered only 40.87% of the popular vote (down from 49.83% four years earlier) & 258 of the 550 seats while he had hoped for-, & needed-, 330 to call a referendum on a constitutional change to a presidential system (& 367 to do so with a simple vote in Parliament). Fortunately for him, the election outcome created a parliament that was so dysfunctional that he was able to call another parliamentary election last November in which (by hook or by crook?) the AKP got 49.50% of the vote, albeit with still only 317 seats. So he is likely to try & do whatever he can to skew the deck in time for the 2019 parliamentary election; unfortunately for him that would require a re-acceleration of economic growth that may be difficult to achieve if foreign tourists-, & capital-, were to be scared off by any move to more authoritarianism & populism.

¹² Who account for about 25% of Turkey's population.

¹³ It was founded in 1919 by KemaL Pasha Ataturk himself.