

Top bosses to meet political party leaders in Ankara

Hurriyet Daily News, 17.06.2015



Board members of Turkey's top business organization, the Turkish Industry and Business Association (TÜSİAD), will meet the heads of leading political parties on June 16-17 under the leadership of TÜSİAD head Cansen Başaran-Symes.

“During the visit, the TÜSİAD delegation will voice its satisfaction at the formation of a highly representative parliament after the election. The delegation will emphasize that this should be seen as an opportunity to establish a government to smooth Turkey's path in all fields, predominantly in the economy,” TÜSİAD said.

The delegation will meet Republican People's Party (CHP) head Kemal Kılıçdaroğlu and Nationalist Movement Party (MHP) head Devlet Bahçeli. It will then meet Prime Minister and Justice and Development Party (AKP) head Ahmet Davutoğlu. “As the co-chairs of the Peoples' Democratic Party (HDP), Selahattin Demirtaş and Figen Yüksedağ, will be out of Ankara [at the time] ... we plan to visit them in the coming days,” said TÜSİAD. In another statement issue just after the June 7 election, the organization said all parties “should act in a reconciliatory manner” in the wake of a bitterly fought election that resulted in no party being able to form a majority government.

Turkey seeks progress on more focused, inclusive G-20 growth plan

Reuters, 16.06.2015



The world's leading economies have narrowed down their commitments to boost global growth under a G-20 plan and should be able to demonstrate progress by the end of Turkey's G-20 presidency this year, a senior Turkish official said.

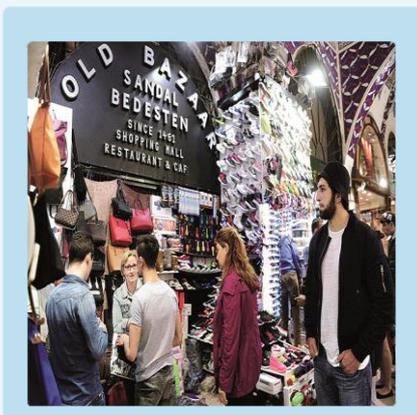
The Group of 20 agreed to launch new measures to raise their collective gross domestic product growth and create millions of new jobs over the next five years. But the pledge, called the Brisbane Action Plan, entailed hundreds of commitments, raising questions over the ability of the G-20 to effectively monitor their implementation.

“If we can achieve this goal in five years ... we will be adding 2 trillion dollars to world economic output, which is almost equal to the size of the Indian economy,” Turkey’s G-20 ‘sherpa’ Ayşe Sinirlioğlu told Reuters in an interview. “We said this year we should focus on 5-8 commitments that will have the most effect on growth ... Each country has now chosen these 5-8 commitments, and by the end of our presidency we will have the accountability report and then we will see how much progress we have made,” she said. Sinirlioğlu, an economist and career diplomat who is the most senior official coordinating Turkey’s G-20 presidency after Deputy Prime Minister Ali Babacan, was speaking ahead of a meeting of deputy finance ministers in Bodrum this week.

At their first meeting under the Turkish presidency in February, G-20 finance ministers sketched an uncertain outlook for global growth, with major economies running at different speeds and monetary policies diverging. They appeared at the time to reject a Turkish proposal for country-specific investment targets to spur demand. The G-20 finance ministers are due to meet again in September in Ankara before a G-20 leaders’ summit two months later. As well as focusing on implementing past commitments, which Turkish officials say is critical to the credibility of the G-20, Turkey has made “inclusiveness” one of the key themes of its presidency, seeking to agree plans to reduce inequality within nations as well as giving low-income nations a greater voice. Sinirlioğlu said energy ministers would meet for the first time in the G-20’s history in Istanbul in October and that the focus would be on “access to energy” in sub-Saharan Africa. The aim would be to develop an action plan, including steps to improve the regulatory environment, which could then be modified by individual African states with a view to helping them secure private-sector finance for energy investments.

A political risk wave on top of economic risks

Hurriyet Daily News, 15.06.2015



Parliament’s seat distribution that came out of the general election opened a door that could carry Turkey from authoritarianism to democratization, but it also brought about a series of political uncertainties.

Turkey now faces a coalition government. But which parties are going to form this coalition, whether it will be a long-term government, or whether it will bring political stability is not yet known. It may take months for a government to be formed and to obtain vote of confidence from parliament, so actors in economy are very concerned - particularly about the option of an early election.

Such political uncertainties face Turkey at a time when its risk premium has climbed to the top, along with Russia and Brazil. If you have invested in state bonds of a country and you want to insure your investment, insurers have a price for this risk according to the country’s situation: Credit development swaps (CDS). By looking at a country’s CDS you can understand how risky it is at certain times.



Two days prior to the election, Turkey's CDS was 215. This was the third highest among emerging countries. At the top was Russia with 332 and Brazil was second with 240. South Africa and Indonesia came after Turkey. These countries are named the "fragile five." The course of the CDS from the beginning of 2015 shows that Russia has recovered relatively but Brazil and Turkey have rising CDSs with their increasing risks. The risk premiums of South Africa and Indonesia show a moderate increase. These five fragile countries are named as such because their commitments and debts are far beyond their assets. The risks they carry are not only economic but also political and geopolitical. Russia's premiums climbed amid the tension with Ukraine and the Crimea crisis, and it was also affected by low oil prices. In January 2015, Russia's risk premium reached 573 and the Russian ruble devaluated considerably. Even though Russia has since recovered relatively, it is still the most risky emerging country. Brazil's risks stem mostly from its economic situation. The country, which experiences balance of payment troubles, is also faced with a threat to domestic stability because of the wide income distribution gap.

While Turkey's CDS was 215 on June 4, it increased 20 points to 235 after the election on June 7 - a 9 percent climb. This actually means approaching Brazil in second place and maybe surpassing Brazil soon. Turkey's risks are economic, political and geopolitical. Turkey's foreign debt is \$403 billion, which corresponds to 53 percent of its national income, while the debts due within just 12 months amount to 40 percent of the total. Turkey is hugely affected by the U.S. Federal Reserve's interest rate increases. It also cannot attract as much foreign capital as it previously did. So it is trying to meet its deficits by using reserves and indefinite sources. What's more, the Turkish Lira has lost more than 30 percent of its value against the dollar over the past year, increasing its vulnerability. Turkey's risk premium (CDS) minimized in 2010, after peaking in the economic crisis year of 2008. It has now started climbing again.

At the beginning of the week following the election, the Turkish Lira was 2.80 against the dollar, the lowest level throughout its history. The Istanbul Stock Exchange also plunged 6 percent. The euro/Turkish Lira climbed to a record-breaking high of 3.10, while the currency basket also hit a record with 2.96. The devaluation of the lira against the dollar since the beginning of 2015 has reached 21 percent. Over the past 12 months, the lira has lost 33 percent of its value against the dollar. The IMF recently revised its growth expectation for Turkey in 2015 from 3.4 percent to 3.1 percent. However, on June 10, Turkey's surprising first quarter growth data was released, showing that gross domestic product (GDP) increased 2.3 percent compared to the first quarter of 2014. The prediction of economists responding to Bloomberg's survey had been 1.7 percent. This means growth beyond expectations, but annual growth reaching 3 percent depends on the performance of subsequent quarters. In the first quarter, Turkey has shrunk nearly 3 percent in terms of dollars.

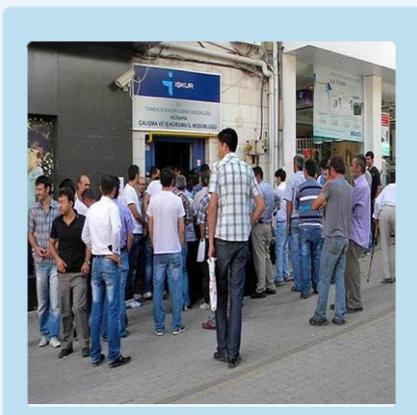
Personal consumption expenditures were determinant in the growth beyond expectations. Household consumption increased 4.5 percent in the first quarter, while public consumption expenditures rose 2.5 percent. On the other hand, investments did not increase at all compared to the first quarter of the previous year, not contributing to growth. While public investments rose by over 10 percent, private sector investment increased by almost 2 percent. Net exports did not contribute to growth. It was the service sector that pioneered first quarter growth. Growth in services was 4.1 percent, while growth in the finance sector was also noteworthy.

On the other hand, growth in agriculture was 2.7 percent while it was very low in industry and negative in construction. Growth in industry remained at 0.8 percent, while in the mining sector there was shrinkage of 8 percent. Manufacturing, which has a share in GDP of more than 25 percent, grew 0.8 percent in the first quarter. The construction sector, which has lost its tempo considerably, shrank 3.5 percent compared to the first quarter of 2014. Turkey's economy is able to grow with foreign capital inflows, and when foreign investment withdraws it stagnates and may even enter a crisis. What will happen to the foreign capital inflow, which was already weak in 2014, in the coming months? How are foreigners evaluating the risks in the new political terrain? Evaluating the outcome of the election, international rating agency Fitch Ratings said it "increases near-term political uncertainty." The results of the June 7 elections "may aggravate tensions regarding economic policy," which "could increase risk to the sovereign credit profile," it added. "Economic policy coherence and credibility in Turkey has been weaker than in rating peers."

Fitch also stated that a coalition might bring "moderating influences" into play, but this is far from certain. "Conversely, increased political uncertainty, the possibility of another election and heightened market pressure on the exchange rate may put the Central Bank to the test, aggravate existing tensions and increase the risk of erratic policymaking or the pressure for looser fiscal policy, ultimately leading to widening budget deficits," it said. In short, extended uncertainty in politics comes at the same time as the U.S. moves to tighten its monetary policy. If this situation causes major shifts in the perception of foreign investors, of which Turkey has an extraordinary need, then the economic destruction may be higher than expected and cost inflation may be added to all, increasing discontent.

Turkey's unemployment rate rises to 10.6 percent

Doğan News Agency, 15.06.2015



Turkey's unemployment rate rose to 10.6 percent in the three months starting in February, 0.9 percentage points higher than in the same period of last year, according to data released by the Turkish Statistical Institute (TÜİK).

The number of unemployed aged 15 years old and above rose by 322,000 to 3,069,000 in the period of March, including February, March and April. In the same period, the non-agricultural unemployment rate rose by 1.0 percentage points to 12.6 percent, while youth unemployment rate including the 15-24 age group soared by 1.9 percentage points to 18.6 percent.

The unemployment rate for the 15-64 age group rose by 0.9 percentage points to 10.8 percent over the same period. Turkey's unemployment rate is expected to rise by 0.5 points to 11.4 percent in 2015, from 9.9 percent in 2014, and rise further to 11.6 percent in 2016, according to data in the IMF's latest World Economic Outlook (WEO).

TAI Selects LHTEC to power Turkish light utility helicopter

Hurriyet Daily News, 17.06.2015



The Light Helicopter Turbine Engine Company (LHTEC), a 50-50 partnership between Honeywell International Inc. and Rolls-Royce, has been selected by Turkish Aerospace Industries (TAI) to provide propulsion engines.

TAI and LHTEC officials signed a Memorandum of Understanding at the Paris Air Show and will progress toward further discussions around a contract for CTS800 engines for the aircraft, LHTEC said. Under the TLUH Program, TAI will develop an indigenous five-ton, twin-engine utility helicopter, which will initially be certified by EASA, and then converted with mission equipment for Turkish military use.

The engine for TLUH will be the same model as those on the current T129 ATAK helicopters, with a commercialized version of the Full Authority Digital Engine Control (FADEC), according to the statement. "The experience behind the LHTEC partnership gives operators confidence in the CTS800 engine and assurance that the support will be there when they need it," said Daryl Mastin, president of LHTEC. "With over 200,000 flight hours and a growing global fleet, the CTS800 has become the engine of choice in its class, providing operators with exceptionally low fuel burn in a small, lightweight, high-power package. The CTS800 provides low-risk, reliable and cost-effective engine solutions to military helicopter operators worldwide." The CTS800 engine currently powers the British Army Lynx Mk9A, the Super Lynx 300 and the AW159 helicopters and was recently selected by the Brazilian Navy for the mid-life upgrade program of its Mk21A Lynx maritime helicopters, according to the statement.

Weak lira 'hurting Turkish consumer confidence'

Anadolu Agency, 17.06.2015



The volatility of the Turkish Lira is the major factor in the low levels of consumer confidence in Turkey. In 2010, the Turkish Statistical Institute's Index of Consumer Confidence was at about 80.

In October 2014 it had fallen to 74 and by December 2014 it was down to 68.67. In April this year it plunged further to 64.39 and in May to 64.29, the lowest reading since March 2009 when it was 60. "The dollar-lira exchange rate is perhaps the most important factor in undermining consumer confidence in this country," commented Prof. Erhan Aslanoglu.

This has an immediate and sharp effect on consumers." Istanbul-based economist Emre Deliveli, also a Hürriyet Daily News columnist, agreed. "After years of high inflation, consumers are very sensitive to what they can buy," Deliveli said. Overall, the long period of economic volatility that began in 2014 has soured sentiment for consumers. "Consumers may also have become increasingly aware about the risks facing the economy, and the currency in particular," said William Jackson, chief economist for Emerging Markets at Capital Economics in London. One might think that the international value of the currency would not be something that a broad mass of consumers would be concerned about, but it is an issue that confronts consumers in the most direct way, Deliveli suggested. "The lira's weakness and volatility affect consumer and real sector sentiment. When the lira is weakening or jumping around consumers simply do not spend, and businesses do not invest," he added.

"Our research shows that most consumers find life expensive in Turkey," Aslanoglu said. "There is a healthy market for imported goods, and that is where currency swings can bite. It is also an issue for businesses in Turkey as raw materials used in production are often priced in dollars." With slower economic growth, there is concern about stagflation, high prices and low employment, he added. "High unemployment is a major drag on consumer sentiment, and it will continue to pressure it lower," Deliveli said. Consumers are also affected by political turbulence, and this was a factor even before the general election on June 7, Deliveli said. A resolution to the current political uncertainty, as parties negotiate to form a coalition government, could also give consumer confidence a boost. But inflation has been an issue in Turkey for a long time, Aslanoglu explained. "There was a time, around 2000, when the Turkish economy was highly dollarized, so currency value is an immediate issue for many consumers. People today still keep savings in foreign currencies, ever concerned about a loss in buying power," he said, adding that there is a pass through from a lower-valued currency to inflation, and so support for higher prices continues to daunt consumers.

Despite troubled sentiment, there has been a recent uptick in consumer confidence, Jackson said. “The confidence data don’t necessarily tally with the data on actual household spending. For instance, we saw a sharp pick-up in consumer spending growth in the first-quarter GDP figures. And data on registered motor vehicles suggest that purchases are picking up too. In this sense, there is at least a positive in that, although confidence is subdued,” Jackson added.

Turkey’s biggest 500 industry companies’ operating margins decrease by 16.4 percent

Reuters, 16.06.2015



Turkey’s top 500 industry companies’ 2014 operating margins decreased by 16.4 percent to 30 billion Turkish Liras, compared to the previous year, although their net sales increased by 3.9 percent to 473 billion liras, due to the foreign exchange (forex) pressures and rising costs, according to an Istanbul Chamber of Industry (ISO) report.

With some companies’ positive contribution of the forex positions, the period income of the top 500 industry companies increased by 22.4 percent to 27 billion liras (\$10 billion) in the same period, according to the report “Turkey’s 500 Top Industry Organizations-2014.”

ISO President Erdal Bahçivan said the industrialists saw dramatic decreases in their operating margins due to the forex pressures and interest rates. The earnings before interest, taxes, depreciation, and amortization (EBITDA) data of the companies have also proved this decrease, he said. The EBITDA rate of the top 500 decreased to 10.7 percent in 2014 from 11 percent in 2013, according to the report. “Turkey’s economy grew by 2.3 percent in the first quarter of 2015, but the manufacturing industries grew a mere 0.8 percent. This shows the poor quality of the country’s growth trend. I mean the economy grew mainly on consumer spending,” Bahçivan said. The total jobs offered by these companies rose by 5.3 percent in 2014 to 580,000, compared to 2013. And the number of companies in red ink decreased from 129 to 83, according to the report.

In the report, energy giant Tüpraş was named as the 2014’s biggest industry company in Turkey. Ford Otosan, the producer of Ford autos, ranked as the second-largest and car manufacturer Oyak Renault as the third-largest. Arçelik and EÜAŞ (Electricity Generation Company) followed them. Tüpraş has had the top rank since 2005. It earned 37.5 billion liras (\$13.8 billion) of turnover in 2014. The top 10 Turkish companies consist of three energy, three automotive and three iron and steel companies, while one home appliance company, Arçelik, ranks among them. Tüpraş has also become Turkey’s biggest exporter with its \$3.7 billion earned abroad, while Ford Otosan is second with \$3.46 billion in exports.

Istanbul named 99th most expensive city for expats

Hurriyet Daily News, 17.06.2015



Istanbul was the 99th most expensive city for expatriates in 2015 out of 207 cities on five continents, according to an annual survey by consultancy firm Mercer.

The city climbed 36 places from last year due to a rise in inflation rates across the country and the loss of the Turkish Lira against the U.S. dollar, according to the Mercer survey. The Angolan capital, Luanda, has been the world's most expensive city for expats for the past three years because of the high cost of rent, imported goods and security in the oil-rich nation. A one-bedroom apartment in the city center costs around 7,500 pounds a month to rent.

A pizza is around 20 pounds and gym membership is around 5,000 pounds a year. Only guns are cheap in the city, according to local reports. The Kyrgyz capital of Bishkek is named the least expensive city on the list. Almost half of the top five most expensive cities are in Asia, according to the survey. Luanda is followed by Hong Kong, Zurich, Singapore, Geneva, Shanghai, Beijing, Seoul, Bern and N'Djamena, the capital of Chad. The most expensive European cities are in Switzerland, due to the speedy rise in the Swiss franc's value, according to the survey. London remained in 12th spot in the rankings, while Copenhagen slipped nine places to number 24. The biggest fall from the top 10 was Moscow, which dropped 41 places to 50th because of the depreciation of the ruble following Western sanctions and the oil slump. St. Petersburg decreased by 117 places to 152 in 2015 from last year.

European currencies have weakened against the U.S. dollar, which pushed most Western European cities down in the ranking, while other factors like the eurozone's weaker economy, falling interest rates and increasing unemployment have impacted these cities, according to the survey. In the Middle East, the most expensive city was Dubai, which ranks 23 in the global list, followed by Abu Dhabi, which ranks 33. Across the Atlantic, New York remains the most expensive city in America, followed by Los Angeles, San Francisco and Washington. The survey by the Mercer consulting group compares the cost of over 200 items in 207 cities, including housing, food, transport and entertainment. It takes New York as its base city for comparison, and measures currency movements against the dollar, which has appreciated significantly from a year ago as the health of the U.S. economy has improved.

Turkish Airlines named best airline in Europe for fifth year in a row

Anadolu Agency, 08.06.2015



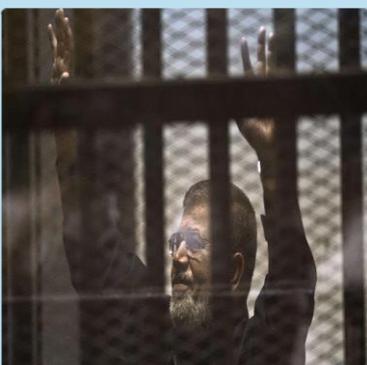
Turkish Airlines has been named the “Best Airline in Europe” for the fifth year in a row by Skytrax, which is recognized by the aviation industry for its global ranking system which tracks customer satisfaction of airlines service and performance around the world, the company said.

The awards, based on over 13 million surveys of worldwide airline customers from May 2014 to January 2015, evaluated traveler experience using key performance factors including check-in, arrivals, transfers, security and immigration. The carrier also received the distinction of having the “World’s Best Business Class Airline Lounge”.

The newly refurbished and expanded Turkish Airlines Lounge Istanbul offers a wide range of activities and services known for transforming passengers’ preflight or connecting time into an experience and was recognized for its food for the second consecutive year. SkyTrax survey participants also recognized the carrier’s successful catering partnership with Turkish DO&CO. Star Alliance member Turkish Airlines is a 4-star airline with a fleet of 279 passenger and cargo aircrafts flying to 274 destinations worldwide, including 226 international and 48 domestic, according to the company’s website.

Qatar urges release of Egypt’s Morsi

AFP, 17.06.2015



Qatar expressed “deep concern” over a death sentence handed down by an Egyptian court against ousted Islamist president Mohamed Morsi and called for his release. The United States has branded the sentencing of Egypt’s first democratically elected president as politically motivated.

“Doha adds its voice to the countries calling for the verdict to be quashed and Morsi released,” said the statement on the official Qatar News Agency. An Egyptian court on June 16 upheld a death sentence handed down against Morsi on charges of plotting jailbreaks and attacks on police during the country’s 2011 uprising.

It also sentenced him to life in prison on charges of spying for Iran and militant groups including the Palestinian Islamist movement Hamas, several of whose leaders are based in Qatar. The Egyptian court also upheld death sentences against around 100 other defendants, including the Qatar-based cleric Yusuf Qaradawi, who was tried in absentia. “The death sentences against political dissidents in Egypt harm security and stability, and close the door to reconciliation and harmony,” the Qatari statement said. Ties between Doha and Cairo had been strained over Qatar’s backing for Morsi, ousted by then army chief and now President Abdel Fattah al-Sisi in 2013. The dispute triggered a crisis last year pitting Qatar against its Gulf neighbours Bahrain, Saudi Arabia and the United Arab Emirates -- all backers of Sisi. It ended in a compromise in December, when Qatar pledged its support to Sisi, even though it still shelters many leaders of Morsi’s Muslim Brotherhood which is now blacklisted as a terrorist group in Egypt.

Syrian rebels say launch offensive in southern Syria

Reuters, 17.06.2015



Rebels in southern Syria announced a major offensive to capture remaining positions held by the Syrian military in Quneitra province, near the Israeli-occupied Golan Heights, where bombardments could be seen a short distance away.

Quneitra sits in a sensitive region around 70 kilometres southwest of the capital Damascus and has been the scene of frequent fighting between various insurgent groups and the Syrian military backed by allied militia. Rebel spokesman Issam al-Rayes wrote on Twitter that an alliance of insurgent groups fighting in the operation had signed a pact, which did not involve al Qaeda’s Syria wing Nusra Front.

The groups in the offensive are fighting under the banner of the rebel Free Syrian Army, he said. Nusra has fought in southern Syria but is not thought to be the main insurgent force there, unlike in other parts of the country. A Reuters photographer watching from the Israeli-occupied Golan said there had been heavy shelling since early June 17 in the Quneitra area, with scores of bombardments. At one point he could see smoke rising from around 13 bombardments and the sound of small arms being fired could also be heard in the distance. The shelling appeared to be focused between Quneitra’s water reservoir and the town itself, with some buildings on the outskirts appearing to have suffered damage, the photographer said. It was not clear which groups were taking part.

Later, rocket alarms sounded in the Golan Heights, a Reuters photographer said. Tanks on the Syrian side could be seen firing their cannons in the reservoir area and there was the sound of Syrian helicopters overhead. The Britain-based Syrian Observatory for Human Rights monitoring group reported violent clashes between the Syrian military and insurgent groups including Islamist factions in northern Quneitra. The Observatory's head Rami Abdulrahman said a handful of combatants were killed on both sides since June 16 in the area. Insurgents fighting in Sweida province further east had failed during recent fighting to capture a main road to Damascus, and it was not clear whether they could secure a route to the capital in this latest offensive, he said.

Different groups, including the hardline Islamic State of Iraq and the Levant (ISIL) and Nusra Front, have been putting the Syrian military under heavy pressure in various parts of the country in the past two months. Another insurgent alliance including Nusra Front has taken hold of the northwestern Idlib province, edging closer to President Bashar al-Assad's coastal stronghold while ISIL fighters overran the central city of Palmyra last month. The government says it can defend important stretches of territory in Syria's populous west and the deputy foreign minister told Reuters last week that Damascus was safer than towards the start of the conflict, which grew out of protests against Assad in 2011.

ISIL suffers 'biggest setback' as Kurds take Syria border town

AFP, 16.06.2015



Kurdish forces have seized control of a key border town from the ISIL, cutting a major supply line in the biggest setback yet for the jihadists in Syria, as the Turkish government clearly voiced its unease over the perceived efforts to unify Kurdish cantons in its southern neighbor.

From across the frontier in Turkey, Kurds and allied Syrian rebels could be seen raising their banners in place of the black ISIL flag and taking up positions at the Tal Abyad border post. Fighters with the YPG and Women's Protection Units (YPJ) militia waved their yellow banner as Turkish troops looked on from the other side of the frontier.

The capture of Tal Abyad, used by ISIL as a gateway from Turkey to its de facto capital Raqqa, was "the biggest setback to ISIL since it announced its caliphate one year ago," said Rami Abdel Rahman, the head of the Syrian Observatory for Human Rights monitoring group. The frontier town was a key conduit for foreign fighters and supplies into ISIL-held territory in Syria and for exports of black market oil from jihadist-held fields in eastern Syria, analysts say. Tal Abyad's fall to the Kurds was "the most significant loss for ISIL in Syria yet," said Aymenn al-Tamimi, an expert at the Middle East Forum research group.



"[ISIL] withdrew without much fight yesterday... It was an easy win," said Ahmed Seyxo, a spokesman for the Democratic Union Party (PYD), the political wing of the YPG/YPJ. Kurdish forces now control around 400 kilometers of contiguous border territory from Kobane in Aleppo province to northeastern Syria, Abdel Rahman said. Turkish Deputy Prime Minister Bülent Arınç said June 15 that the country had taken measures both regionally and inside its own borders for its domestic and external security, adding that its interests sometimes differ from those of anti-ISIL coalition partners. "Sometimes differences are occurring between the priorities and interests of Turkey and of those powers and sometimes they match," Arınç said late June 15 after the first cabinet meeting since the June 7 general election. He expressed Turkey's continued unease over the YPG, which has emerged as the main partner on the ground in Syria for the U.S.-led anti-ISIL coalition.

Amid signs that Kurdish forces have sought to "bring together cantons" in Syria, Turkey has conveyed its warning to the United States and other coalition members about the risk of demographic "cleansing and the placement of some elements" by the YPG and the PYD after the airstrikes, Arınç said. "People of the bombed places were ethnically cleansed by the PYD and the YPG, as well as by Daesh [ISIL]. These are strange relationships and alliances ... We are seeing signs of work underway on a formula to bring together the cantons," he added. Some Arabs and Turkmens have accused the YPG/YPJ of ethnic cleansing in the area while others welcomed their liberation from ISIL thanks to the Kurdish forces. In the June 15 cabinet meeting, they discussed military measures to maintain border security, Arınç said, noting that measures for domestic security were also on the agenda. "Turkey is the only country that opens its arms to the oppressed," he said, referring to the 1.7 million Syrian refugees currently in the country.

Contrary to the composition of regular cabinet meetings, Chief of General Staff Gen. Necdet Özel and Land Forces Cmdr. Hulusi Akar attended the meeting in order to brief ministers. The PYD announced in November 2014 that all Kurdish areas in northern Syria would declare all its autonomous regions as "cantons," which are not internationally recognized. Turkey considers the PYD to be an offshoot of the Kurdistan Workers' Party (PKK), which has for decades waged a bloody insurgency in the country. On the contrary to the Turkish government's unease with the success of the YPG/YPJ, Peoples' Democratic Party (HDP) co-chair Figen Yüksekdağ described the incident as "a very gratifying development. Unfortunately, the YPG forces have been saddled with suppressing and cleansing a trouble for an entire region's peoples that has been caused by the political power in Turkey. This is a very historical responsibility," Yüksekdağ said. Turkish soldiers detained five men from Syria, supposedly ISIL fighters, near the Akçakale crossing gate between Turkey and Syria.

When the five suspected ISIL men crossed the barbed wire to Turkey, soldiers detained them, Radikal news portal reported. Separately, four journalists were released shortly after being detained in southeastern Turkey over a question that irritated Şanlıurfa Gov. İzzettin Küçük, daily Evrensel has reported. Evrensel correspondent Hasan Akbaş and daily Cumhuriyet columnist Pınar Öğünç were detained along with Özlem Topçu and Deniz Yücel, of German newspapers Die Zeit and Die Welt respectively, after Akbaş's question to the governor about the ISIL presence in Şanlıurfa's Akçakale district. An irritated Küçük told police "take these [people] in" after being asked by ISIL. Meanwhile, more than 30 people have been killed in the most lethal rebel bombardment of the city of Aleppo since Syria's conflict started four years ago, a group monitoring the war said. The United Nations special envoy for Syria, Staffan de Mistura, condemned the shelling and called it an indiscriminate attack on civilians.

Will Ukraine scupper Russia's Arctic plans?

The Moscow Times, 14.06.2015



Last year saw Putin's Russia cement itself as an increasingly assertive international power. Russia's annexation of Crimea and its sustained aggression toward Ukraine resulted in an array of Western sanctions.

Oil prices slid and a wounded Russia entered 2015 in economic crisis. For now, it is difficult to predict what, if any, effect these events will have on Russia's Arctic strategy. It is, however, crucial to safeguard the Arctic from increasing tensions between Russia and the West. Sanctions are not solely responsible for Russia's current economic crisis. Most of the responsibility sits squarely with the 2014 oil price dive.

The oil dive exposed Russia's continued failure to diversify its economy away from an over-reliance on windfalls from oil and natural gas exports. Russia's crisis is compounded by a system riddled with corruption. Despite the bleak outlook, Putin maintains high approval ratings, evidently the result of a population resilient to economic hardship inculcated by Kremlin propaganda. Meanwhile, U.S. sanctions on Arctic joint venture exploration have slowed Russia's Arctic production schedule. The Kremlin's claims that Russia can go it alone in the Arctic is deceptive — in reality Russia lacks both the cash and technology for sole operation.

The Arctic is not a short-term issue. It's still a long way from the top of the international agenda, attracting bursts of "new Cold War" rhetoric from time to time when a flag is planted. Russia did just that in 2007, planting its flag on the Arctic seabed. For many that was a symbolic starting point for the Arctic scramble. For Russia, the Arctic represents a conduit for international prestige and perhaps more significantly — international relevance. It is vital to understand the central drivers of Russia's Arctic ambitions, it is not simply a quest to expand Russian territory. Russian Arctic strategy is driven largely by normative factors such as the necessity to secure its vast Arctic border. In fact, the Arctic represents a blueprint for U.S. engagement and cooperation with Russia. It is crucial the Arctic is safeguarded from souring U.S.-Russian relations. Both countries must hone in on areas of mutual interest in the Arctic. The U.S. must engage Russia as an equal Arctic power and push for partnership. As the U.S. takes the helm of the Arctic Council — a high-level intergovernmental forum that addresses issues faced by the Arctic governments — a key objective must be to keep the window for cooperation with Russia open.

Potential conflicts are stirring as all five Arctic rim powers gather the scientific evidence to back their individual territorial claims — most of which are overlapping. Allowing existing U.S.-Russian tensions over Ukraine to spill into the Arctic arena will further isolate Russia. During its 2015 Arctic Council chairmanship, the United States has the potential to develop a blueprint for cooperation with Russia and in doing so reset the reset. As the Arctic warms, perhaps the U.S.-Russian relationship will too. Allowing U.S.-Russian relations to sour further and the failure to safeguard the Arctic from the fallout will further isolate the wounded bear. In doing so it will set the combative tone for our global Arctic future.

Can Russia's economic forum revive its fortunes?

CNBC, 17.06.2015



International business leaders will be assembling in St. Petersburg in Russia for the country's annual economic forum this week amid hopes that the country can still rebuild its investment outlook and relationship with the rest of the world.

The three-day St. Petersburg International Economic Forum (SPIEF) starts on June 18 and comes at a difficult time for Russia. The country remains largely isolated on a political and economic level due to international sanctions on the country, imposed for Russia's perceived role in the pro-Russian uprising in Ukraine, which it denies.

Making matters worse in Ukraine, there has been an escalation of violence lately between pro-Russian rebels and the country's armed forces, threatening a fragile official ceasefire, called the Minsk agreements, and potentially earning Moscow an extension of sanctions until the end of the year. Russia's economy has been on a roller-coaster ride since the conflict erupted in spring 2014 with its currency and stocks hit hard by declining oil prices, capital outflows and soaring inflation. There are signs that the rate of inflation is slowing and the ruble has recovered some strength to trade around 55 to the dollar (from lows of around 70 in February) – factors which could buoy investor sentiment towards Russia.

One economist said the recent recovery in Russian stocks and the ruble could make SPIEF more upbeat this year than last, when the U.S. discouraged business leaders from attending the summit. "Many chief executives from large American and European companies have announced their attendance (this year) and the fact that not only the ruble, but Russian equities and bonds have rallied year to date giving the event a more upbeat backdrop," Marcus Svedberg, chief economist at East Capital, told CNBC. "That parts of the Russian economy are still under sanctions is clearly negative, but analysts are now discussing when sanctions will be lifted rather than if there will be more sanctions, which is an important difference compared to last year," Svedberg added.



Russia's poor economic growth outlook is top of the agenda for Russia's central bank. In April, Russia's gross domestic product (GDP) decreased by 4.2 percent compared to the same month in the previous year. Reflecting concerns over growth, the central bank cut its key interest rate for the fourth consecutive month on Monday by 1 percentage point to 11.5 percent. In a statement, the bank said it was, "taking account of lower inflation risks and persistent risks of considerable economy cooling." Political risk has, unsurprisingly, put investors in Russia off putting their money into the country. Russia saw a net capital outflow in the first quarter of the year of \$32.6 billion, central bank estimates showed. The country's decision to tighten regulations around its banking sector has also acted as a deterrent, another economist Steen Jakobsen noted. Jakobsen, chief economist at Saxobank, said there was a "clear" aversion towards investing in Russia due to risk and regulations there. "We've seen an aversion to doing business in Russia clearly, people are stepping back, but that is also partly due to the fact that Russia is becoming more discriminatory in terms of regulations and services. So there's some apprehension but it's a two-way street."

He noted, however, that Saxobank remained committed to Russia and was optimistic about its recovery in the long-term. "You have to be optimistic about Russia overall, it's a nation that's used to facing headwinds. The sad thing is that we've engaged in a macro level, politician to politician war of words...but what we need to see is a gradual opening of business to business. The last time I flew to Moscow from London the plane was only 25 percent full and so clearly it's having an impact but everyone's a loser (in that situation)." Despite a recovery seen in Russian equities and the ruble, Svedberg conceded that some investors could decide not to return to Russia, "regardless what happens to sanctions or how the market performs."

Following an escalation of violence in east Ukraine, European leaders are expected to renew economic sanctions on Russia when they meet at a European Council summit at the end of June. The European Parliament passed a resolution calling on EU governments to maintain sanctions on Russia, signalling that they could be extended until the end of the year. Saxobank's Jakobsen believed that anti-Russian rhetoric was unhelpful and that improving business ties could improve Russia's relations with the rest of the world. "Problematically, Putin is getting a little bit more money coming in from higher energy prices at that moment so he's able to entrench his position further and Europe is taking the high ground. It also doesn't help that every world leader wants to shout from the rooftops how Putin and Russia is wrong," he added. "We need to tone that down and get back to business to business and let business democratize Russia rather than trying to do it upfront."

Greek Central Bank issues “Grexit” warning if aid talks fail

Reuters, 17.06.2015



The Greek Central Bank warned that the country would be put on a “painful course” towards default and exiting the eurozone if the government and its international creditors failed to reach an agreement on an aid-for-reforms deal.

It also said Greece risked a renewed bout of recession and predicted that the current economic slowdown would accelerate in the second quarter of this year. The Greek economy had started growing again last year after being pounded by years of austerity, but fell back into negative growth in the first quarter of 2015, contracting by 0.2 percent year-on-year.

The ongoing crisis has prompted an outflow of deposits of about 30 billion euros (\$33.84 billion) from Greek lenders between October and April, the Central Bank said. Time is fast running out for Athens and its creditors to reach a deal before a 1.6 billion euro repayment by Greece to the International Monetary Fund falls due at the end of the month. But neither side appears willing to give ground, with Greek Prime Minister Alexis Tsipras accusing the creditors of trying to “humiliate” his country by demanding more cuts. Despite the heated rhetoric, the Central Bank said that the two sides appeared to have reached a compromise on the main conditions attached to an aid agreement, and that little ground remained to be covered for a deal to stick. “Failure to reach an agreement would ... mark the beginning of a painful course that would lead initially to a Greek default and ultimately to the country’s exit from the euro area and, most likely, from the European Union,” the Bank of Greece said in a monetary policy report. “Striking an agreement with our partners is a historical imperative that we cannot afford to ignore.”

Austrian Chancellor Werner Faymann, who has taken a relatively lenient line with Greece, was in Athens in a last-ditch bid to end the standoff. The Greek Central Bank urged the European Union to spell out promises of debt relief to Greece, a key demand from Athens, in greater detail. “An agreement would allow Greece to benefit from the favorable global environment and the ECB’s quantitative easing program,” the report said. “Our top priority right now should be to create, as soon as possible, those conditions that would enable the Greek economy to benefit from the favorable global economic environment and the highly accommodative monetary policy at the euro area level and speed up a sustainable return to global capital markets.”

In U-turn, UK's Cameron rules out EU referendum vote on May 5, 2016

Reuters, 09.06.2015



British Prime Minister David Cameron has performed a U-turn and ruled out holding a European Union membership referendum on May 5, 2016, a shift to placate some of his own lawmakers who were opposed to it being held on the same day as local elections.

The move will be interpreted as a tactical one designed to preserve unity in Cameron's ruling Conservative Party which is riven by differences over Europe and follows another U-turn by Cameron on the subject earlier this month. Cameron has promised to renegotiate Britain's relationship with the 28-nation bloc before holding an in-out referendum.

He has said he would be open to holding the vote before then if he can complete the renegotiation early. But Eurosceptic lawmakers from Cameron's Conservatives had feared he might try to secure a "yes" vote by holding the vote as early as next May, the same day as elections in Scotland, Wales and Northern Ireland, in order to limit the time available to debate any deal he secures. In a policy shift, his government tabled an amendment to a law paving the way for the referendum which rules out holding the referendum on the same day as the local elections.

"We have listened to the views expressed by MPs across the house and decided that we won't hold the referendum on May 5, 2016," a spokeswoman for Cameron's Downing Street office said. The law is due to be debated in parliament. The decision to rule out the May 5 vote comes after Cameron told parliament last week he thought voters were capable of making two decisions on one day, suggesting the referendum could be held on May 5. The government is also likely to promise not to spend large amounts of public money to influence the campaign in the immediate run-up to the referendum, another demand from Eurosceptic lawmakers.

Italy threatens to ‘hurt’ Europe if it doesn’t get help with migrants

AFP, 14.06.2015



Prime Minister Matteo Renzi threatened to go to a Plan B to deal with migrants which “would hurt Europe” if Italy is not given greater help with the crisis.

The country is struggling to accommodate an endless wave of boat migrants and a crackdown on security at the French and Austrian borders over the past few days has exacerbated the situation, causing a bottleneck at Italy’s train stations. The crisis “should not be underestimated. It is a serious issue and, let me be clear, Europe’s answers so far have not been good enough,” Renzi said in an interview published in the *Corriere della Sera* daily.

The EU is having difficulty getting consensus for its proposed migrant distribution plan -- under which 24,000 refugees would be taken by other countries -- but Italy is hoping an EU summit on 25 June will go even further. “Redistributing just 24,000 people is almost a provocation,” Renzi said. “If Europe chooses solidarity, good. If it doesn’t, we have Plan B ready. But it would first and foremost hurt Europe,” he said, without providing details. Over 57,000 migrants and asylum seekers have been rescued at sea and brought to Italy so far this year, up from 54,000 at the same time last year, he said. The PM will raise the immigration issue with his British and French counterparts when they travel to Milan this week, and said he would also speak to European Commission head Jean-Claude Juncker and German Chancellor Angela Merkel. Under the Dublin convention, refugees must apply for asylum in the first country of entry to Europe -- a rule which Italy says is unfair as it leaves Rome to deal with the thousands of migrants washing up on its shores.

Greece has also long complained of being left with the same problem. The Schengen open borders accord has until now meant those landing in Italy can usually easily travel through neighbouring France, Austria, Switzerland and Slovenia as they seek to make it to Britain, Germany and Scandinavia. But border controls have been temporarily reintroduced due to a recent summit of G7 leaders in Germany, sparking migrant protests at the frontier with France Saturday when French police refused entry to more than 200 people hoping to head to northern Europe. The Dublin convention “should be changed,” Renzi said, insisting the current chaos in Libya -- from where many of the boats depart -- is “Europe’s responsibility in light of the (military) intervention four years ago” by NATO to help rebels unseat dictator Moamer Kadhafi.

Japan PM Abe's support lowest since 2012 amid doubts about security bills

Reuters, 15.06.2015



Support for Japanese Prime Minister Shinzo Abe's cabinet has fallen to the lowest level since he took office in 2012, to just over 40 percent, with nearly two-thirds of voters opposed to his muscular defense policy that would end a self-imposed ban on the military fighting overseas, a weekend media survey showed.

The survey by Nippon Television Network coincided with weekend rallies by thousands protesting the legislation, which would allow Japan to exercise its right of collective self-defence, or militarily aiding a friendly country under attack.

Abe's cabinet adopted a resolution last July reinterpreting the pacifist constitution to allow the dramatic shift in security policy. In April, Abe told the U.S. Congress that the changes, already reflected in new U.S.-Japan defense cooperation guidelines, would be enacted this summer. But the outlook for passage in the current session of parliament, set to end next week but which may be extended until early August, has been clouded by growing criticism that the legislation violates the pacifist constitution, drafted by U.S. officials after World War Two. "I think the government should retract the bills because the core element of the bills - the use of the right of collective self-defense - is manifestly unconstitutional," Yasuo Hasebe, a constitutional law professor at Waseda University, told a news conference.

Hasebe's remark to the same effect at a parliamentary panel earlier this month shocked his ruling party hosts and reignited debate about the bill's constitutionality. Abe's support slipped to 41.1 percent from 43.5 percent in the Nippon Television survey, which also showed 62.5 percent were opposed to the exercise of collective self-defence and 63.7 percent were against the enactment of the legislation in the current session of parliament. Almost 80 percent felt the government has not explained the legislation sufficiently. Thousands rallied on the weekend to protest the security bills and other policies such as plans to restart nuclear reactors taken off-line after the March 2011 Fukushima nuclear disaster. Organizers said 25,000 attended a rally near parliament on June 14, while more than 10,000 turned out the day before. "I think the majority of the citizens are raising voices of anger towards Abe's move to destroy the constitution," said Akira Matsudaira, 73, who played a trumpet at the protest.

Magnate Donald Trump announces bid for US presidency

AFP, 17.06.2015



Donald Trump, the flamboyant U.S. real estate magnate and television personality who says his net worth is about \$9 billion, has announced a longshot bid for the presidency on the ticket of the Republican Party.

Known in the U.S. as The Donald, Trump is a celebrity, a businessman and a master of self-promotion. He will be entering an increasingly crowded presidential race competing for the party's nomination, including such big names as former Florida governor Jeb Bush, who is the son and brother of two former U.S. presidents. "Sadly, the American dream is dead," Trump said.

"But if I get elected president, I will bring it back bigger and better and stronger than ever before, and we will make America great again." Trump made the announcement on June 16 in New York City before a small crowd of supporters, some wearing campaign shirts saying "Make America Great Again!" and "No More Career Politicians." In his well-known bombastic style, he mixed boasts about his wealth with promises to defeat effortlessly Islamic State of Iraq and the Levant (ISIL) and negotiate trade deals with China. In a free-ranging 40-minute speech he also boasted about his ability to fortify the border with Mexico to prevent "rapists" from entering the U.S., saying "Nobody builds walls better than me," and invited President Barack Obama to play golf at one of Trump's courses.

Trump has teased presidential runs before, but has always backed out. This is time he is the 12th high-profile Republican to enter the 2016 race, with more to come in the weeks ahead. And while he is not viewed as a front-runner, Trump is doing just well enough in early public opinion polls that he may earn a place on stage during Republican presidential primary debates. After the rally, Trump flew to Des Moines, Iowa, to meet supporters at a rally in the Midwestern state whose caucuses leadoff the state-by-state nominating contests. Trump's announcement drew immediate scorn online from a series of Republicans, who fear he will turn an otherwise serious Republican primary contest into a circus. "I just apologized to my toddler for bringing him up in a country where Donald Trump runs for Prez, gets better than 2% in the polls," veteran Republican strategist Liz Mair tweeted.

The Democratic National Committee was just as sarcastic on Twitter, saying that Trump "adds some much needed seriousness that previously been lacking" from the Republican Party. As part of the campaign Trump is required to reveal his net worth, sources of income, liabilities and assets, as well as the same information for his wife and dependent children. Trump said Tuesday he is ready to do that, pegging his net worth at roughly \$9 billion.



Announcements & Reports

► *The harsh reality of Ukraine's fiscal arithmetic*

Source : Bruegel

Weblink : <http://www.bruegel.org/publications/publication-detail/publication/881-the-harsh-reality-of-ukraines-fiscal-arithmetic/>

► *Will Greece exit from the Eurozone?*

Source : CSIS

Weblink : <http://csis.org/publication/will-greece-exit-eurozone>

► *China's Land Reclamation Announcement: A Change in Message, Not in Policy*

Source : CSIS

Weblink : <http://csis.org/publication/chinas-land-reclamation-announcement-change-message-not-policy>

Upcoming Events

► *Electricity vs Fire: The Fight for Our Future*

Date : 22 June 2015

Place : London - UK

Website : <http://www.chathamhouse.org/event/electricity-vs-fire-fight-for-future>

► *The Power of Big Data in Next Generation Economics Research*

Date : 22 June 2015

Place : London - UK

Website : <http://www.chathamhouse.org/event/power-big-data-next-generation-economics-research>

► *European Integration in The Face of A Security Crisis*

Date : 22 June 2015

Place : Brussels - Belgium

Website : <http://www.bruegel.org/nc/events/event-detail/event/539-european-integration-in-the-face-of-a-security-crisis/>



► *Britain's Place in the World*

Date : 23 June 2015
Place : London - UK
Website : <http://www.chathamhouse.org/event/britains-place-world>

► *Should the U.S. put boots on the ground to fight ISIS?*

Date : 24 June 2015
Place : Washington – The USA
Website : <http://www.brookings.edu/events/2015/06/24-isis-intervention-brookings-debate>

► *Chinese Foreign Direct Investment: The European Policy Agenda*

Date : 29 June 2015
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/535-chinese-foreign-direct-investment-the-european-policy-agenda/>

► *National Perspectives on The Euro Area*

Date : 07 July 2015
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/536-national-perspectives-on-the-euro-area/>

► *The Kuwait Crisis 25 Years Later*

Date : 15 July 2015
Place : Washington – The USA
Website : <http://www.brookings.edu/events/2015/07/15-kuwait-crisis-25-years-later>

► *Competitive Gains in the Economic and Monetary Union*

Date : 21 July 2015
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/534-competitive-gains-in-the-economic-and-monetary-union/>

► *The Future of Capitalist Democracy: UK-Japan Perspectives*

Date : 21 July 2015
Place : London - UK
Website : <http://www.chathamhouse.org/event/future-capitalist-democracy-uk-japan-perspectives>