

## Turkish lira at record low, stocks slide after coalition talks ends

Reuters, 13.08.2015



The Turkish lira hit a record low and stocks tumbled 3 percent after coalition talks between the ruling Justice and Development Party (AKP) and the main opposition Republican People's Party (CHP) ended negatively, setting the stage for a snap election. "It's not clear when elections will be. But the idea is that it probably will act as yet another catalyst that impedes investment," said Manik Narain, a strategist at UBS in London.

"The big risk is that we end up having repeat elections and nothing changes. That introduces a lot of uncertainty for Turkish business and the economy."

The AKP failed in June's elections to win a single-party majority for the first time since coming to power in 2002. Prime Minister Ahmet Davutoğlu has until Aug. 23 to find a coalition partner and form a government or face snap elections. "The outcome is negative," a senior official with the main opposition CHP told Reuters, following the more than hour-long meeting in Ankara between Davutoğlu and CHP leader Kemal Kılıçdaroğlu that followed weeks of talks between their two parties.

President Recep Tayyip Erdoğan, who founded the AKP, is said to prefer an early election as the party's best chance of regaining power. Party officials say its leadership has been encouraged by improvements in opinion polls, which suggest it could win a majority if an election were held now. Turkish Prime Minister Ahmet Davutoğlu said the chances of an early election had increased "greatly" after efforts to form a coalition between his AKP and the CHP failed. In a televised speech, Davutoğlu said there was currently no basis for a government partnership. The lira, already one of the worst performing major emerging market currencies this year, tumbled to 2.8210 against the dollar, its weakest on record. The main stock index fell as much as 3 percent before recovering some losses.

# Turkish economy continues to accumulate political and economic risks

Hurriyet Daily News, 10.08.2015



Turkey's economy is considered a highly resilient one by many market observers, analysts and representatives of credit rating agencies, as it is resisting so much uncertainty and fragility.

It has been two months since the election was held in the country. Coalition talks have not yielded any results and a new election is likely to be held in November. The country's business associations, expressed their opinion as, "There is no need for a new election; let us try a coalition, let us move ahead. We lost 2015; at least let us not also lose 2016."

This also did not yield any results. Not even five months after the June 7 election, there will be a new general election. This political situation which could be called chaotic has added political risks to the economic risks of the country. Moreover, when the armed clashes across the Syrian and Iraqi borders are considered, Turkey's economy is accumulating risks over risks. Nevertheless, when the effect of what has been experienced up to today on the economy is considered, it can be seen that it was not as destructive as expected. There were no turbulences to the extent of a crisis. For instance, at other times, this much turbulence was enough to drive foreign investors away. The dollar/Turkish Lira parity should have skyrocketed at shocking dimensions. In the 1994 and 2001 crises, it happened like this; there were crises that caused the country to shrink 5 to 6 percent while unemployment climbed to 20 percent. Each time the door of the International Monetary Fund (IMF) was knocked and only with the bitter recipes recommended, the equilibriums were brought back to manageable dimensions.

This time, it is happening differently. Turbulences arrive in small doses; when you add them up altogether, it is not small but not at "shocking" levels. Let us take the local currencies against the U.S. dollar in the past year. The Turkish Lira's loss against the dollar in 12 months is not small; from July 2014 to July 2015, it lost 23 percent. However, this loss, when the devaluations of several other emerging country local currencies are taken into account, is not considered very high. The Russian ruble - even though it started recovering recently - lost 65 percent in one year. The second biggest fragile country, Brazil, lost 50 percent against the dollar while Colombia lost 54 percent. The Mexican peso lost 25 percent value against the dollar in one year. Turkey's 23 percent loss comes after them. Turkey's risks are not only economic; it has huge political and geopolitical risks. Despite this, it is in a better situation than Russia, which also has huge geopolitical risks and whose economy was knocked out because it was subject to the economic embargo of the West. It is also relatively better than Brazil, whose risks are more economic. But that's about it. Turkey is ahead of other emerging fragile countries in being risky by far. However, data shows us that the risk coefficient is constantly increasing.



The Credit Default Swap (CDS) of January and July this year, in other words the increase in risk premiums, reached 21 percent for Turkey. Our CDS was 184 at the beginning of 2015; it went up to 223 as the average in July. The increase of Brazil's CDS in the same period was 29 percent. On the other hand, Russia accelerated normalization and its risk premium decreased 41 percent, even though it still holds the top place with its 334 CDS.

The domestic factors that made it possible for Turkey's economy to look resilient despite the harsh internal and external winds are the ones based on measures taken after the 2001 crisis. These are the measures taken both in the banking sector and in public accounting. After the 2001 crisis, in cooperation with the IMF, even though the social prices paid for them were heavy, with certain "reforms" a banking system resilient to waves and which is pretty much under control was created. The bad apples were picked. About 20 banks experienced operations and a banking Regulation and Supervision Agency (BDDK) was formed to monitor the banks closely. The banks were forced both to strengthen their equity capitals and eliminate their weak loans. Many banks were sold; some of them were bought by strong foreign banks. Because of this entire rehabilitation, the banking system is under more control now, has much less risks. For this reason, up until now, - at least for the moment - strong winds have not created any cracks or explosions in the banking system. But this does not mean there is no danger. The net exchange position that shows the difference between receivable and payable positions of the real sector is one of the most important issues. As of the end of April 2015, real sector institutions have \$102.8 billion in foreign exchange assets; on the other hand, their liabilities are around \$278.5 billion. In other words, the difference between assets and liabilities is \$175.7 billion. If the real sector attempts to decrease its liabilities by using up all its assets, again it faces about \$176 billion of debt. At the end of April, the dollar rate was around 2.66. It reached 2.76 in July, increasing 0.10 liras. This increase of 0.10 liras corresponds to a loss of 17.6 billion liras in the open position of the real sector in liras. When these exchange losses increase, then the problem may infect banks. This deficiency causes losses to firms with each devaluation; balance sheets weaken and liabilities to banks become difficult to fulfill. But, for the moment, the system is resilient to blows.

The other breakwater preventing a devastating economic crisis is public finance. Again since the 2001 crisis, public finance which was rehabilitated with "fiscal discipline," is an assurance especially for foreigners. The central budget was tightened after the 2001 crisis, public economic enterprises were rapidly privatized, the social security system was restructured and a fiscal discipline was introduced to agricultural subvention, related institutions and municipalities. All of these enabled a sharp decrease in public deficits and the level of public debts reached reasonable levels, such as around 35 percent of the national income. Today, public finance, which has a deficit of only 1 to 1.5 percent of the national income, is an assurance, a safety for the foreign investor, independent of other domestic tremors. It is also foreign factors which play a role in why Turkey's economy is not shaking. The worst negativity for Turkey would be for the foreigners to exit. They do exit and they do not come back with the same enthusiasm as they used to. But the factor that is preventing the total exit of foreigners is the uncertainty in the U.S. and the uncompleted decision of increasing interest rates.

The stance of the U.S. Central Bank Fed is uncertain with its “I increased, will increase, I cannot increase, not for now,” interest rate policy, causing foreigners to pass the ball around. Even though they see the increasing risks in Turkey, they exit slowly. They do not detect any brighter development in other countries. They are careful about China. The only strong country is India which is growing, decreasing interest rates and drawing foreign direct investment. It is obvious that Turkey’s “resilient” state is a seasonal state. As soon as uncertainties come to an end, anything that did not happen in Turkey today, everything that is waiting at the door, may come pouring in. When that time comes, then the consequences will truly be heavy... This is inevitable...

## Investment guru says Turkey’s economy not ‘fragile’

Anadolu Agency, 12.08.2015



Mark Mobius, the executive chairman of the Templeton Emerging Markets Group, has said Turkey’s economy was not “fragile” in an interview with Anadolu Agency, adding there were great opportunities in Turkey for investors. “I don’t agree with the ‘fragile five’ thesis since it simplifies the very complex economic structure of those five countries and in Turkey’s case, it denigrates the very real strengths of the economy,” he said.

The “fragile five” concept was created by analysts at Morgan Stanley in 2013. It grouped Turkey, Mexico, Brazil, Indonesia, South Africa as emerging markets under economic pressure.

Mobius said Turkey’s economy was “very vibrant, with a well-trained and educated workforce” as well as “excellent managers, capable of entering global markets effectively,” adding, “Therefore we cannot say that it is ‘fragile.’” Mobius also explained how the U.S. Federal Reserve’s projected interest rate increase would affect emerging markets. “The perception of risk is rather low since the idea of an interest rate hike has already been discounted by the market. The expectation is that, if a rate hike comes, it will be small. The real risk comes if the interest rate hike is large, and larger than expected. In that case, all markets, including emerging markets, will be impacted. We must remember that the impact of interest rate rises is just one of the variables that impact markets and it is important to note that, in the past, in many cases, markets actually rose in the face of higher interest rates because of other extenuating circumstances,” Mobius said.

“The dollar pressure will now be reduced since the amount of depreciation of several emerging market currencies has gone too far so that many of the currencies are severely undervalued on the price parity basis,” he said. “We must remember also that the U.S. government does not want a dollar that is too strong, since that will harm the U.S. economy. The challenge facing the U.S. Federal Reserve is how to raise interest rates in the face of falling interest rates in Europe, Japan and China,” he added.

Mobius said he was not dismayed by the sharp fall in oil prices, a movement which directly affects emerging market exporters like Brazil. “Oil prices are primarily driven by sentiment. If you look at the actual supply and demand trends over the last 20 years, in each year, the actual supply-demand varies no more than 5 percent either way. However the actual market price of oil has had a tremendous range and volatility. We can, therefore, expect oil prices to reach a medium trend-line which will probably be higher than where it is now, but it won’t go dramatically higher. It’s important to note that given the high growth particularly in the two most populous nations in the world, India and China, the demand for oil and oil products will continue to rise despite the introduction of alternative energy sources which are expected to grow, but not replace oil in a short time period. This is also the case of coal, where coal-fired plants continue to be built because in many parts of the world it is the most economic form of electric power generation.”

Mobius said that a ‘Grexit’ (Greece’s exit from the eurozone) would create a worse crisis than the country’s current debt problem. “I believe that the debt situation in Greece is not as important as the necessity for Greece to remain in the European Union and to continue using the euro. The euro system provides tremendous economic benefits for people in Europe, and the euro has become a reserve currency of importance. Any crack in the structure caused by the departure of Greece would be tragic,” he said.

## Polish and Turkish Airlines extend cooperation

Anadolu Agency, 13.08.2015



Polish Airlines (LOT) and Turkish Airlines (THY) inked a letter of understanding to initiate enhanced cooperation, Turkish Airlines has said in a statement. “Both the Turkish and Polish carriers have decided to implement a strategic partnership to make use of the possibilities to enhance benefits for their customers by offering more connection alternatives and [an] even better product,” said the statement.

The new agreement aims to extend commercial cooperation between the two airlines and to give passengers the opportunity to travel with more convenient stopovers. Ticketing will be combined for a number of important flights.

Although the final model for further cooperation has not yet been determined, both airlines have agreed to “proceed towards future joint venture cooperation,” according to the statement. “LOT and Turkish Airlines have been partners for many years. I am convinced that this letter of understanding will help us to create a unique and global offer. This will give our passengers all advantages of the worldwide and supplementary networks of both carriers,” said LOT CEO Sebastian Mikosz. “This strategic partnership between our airlines will enable both carriers to enhance their presence in their respective markets, while contributing to efficiency on the routes agreed within the scope of extended cooperation,” said Turkish Airlines CEO Temel Kotil.

Turkish Airlines and LOT have been code sharing on each other's flights on the former's Istanbul-Warsaw, Istanbul-Amman, Istanbul-Cairo and Istanbul-Ankara routes, and LOT's Vienna-Warsaw and Warsaw-Krakow routes. Turkish Airlines and LOT currently operate five weekly flights in cooperation on the Istanbul-Warsaw route.

## Turkey keeps economic ties with Arab League despite condemnation

Hurriyet Daily News, 10.08.2015



As an indication Turkey categorizes ties with Arab League, Ankara has continued its economic relations with organization, despite the political strain caused by condemnation of league and its secretary general. Officials from Arab League will hold technical cooperation meeting on intellectual property rights with Turkish Patent Institute Headquarters for upcoming ministerial economic forum.

The meeting comes one week after condemnation of Arab League by Turkish Foreign Ministry over the organization's criticisms on Turkey's operations against outlawed Kurdistan Workers' Party (PKK).

The Arab League condemned Turkey's actions and called on Ankara to recognize the sovereignty of Iraq. The Turkish Foreign Ministry's condemnation particularly targeted the league's secretary general. The statement by al-Arabi was not discussed among the member countries and reflected the views of the secretary general, the ministry said. Turkey and the Arab League have not held a political forum since 2012 due to political strain between Ankara and Cairo, but economic relations have continued to run their course. Egypt's relations with Turkey have been strained since a military coup which overthrew former Egyptian President Mohamed Morsi in July 2013. President Recep Tayyip Erdoğan, a close ally of Morsi, condemned the coup and Egypt expelled Turkey's ambassador. Ankara also declared the Egyptian ambassador, who had already left the country, persona non grata and downgraded their diplomatic ties to the levels of charge.

## Istanbul to open tender for two new metro lines

Anadolu Agency, 13.08.2015



Istanbul Metropolitan Municipality has announced plans for a tender for two new metro lines. "A tender will be held for the subway lines between Ataköy-İkitelli on the European side and Dudullu-Bostancı on the Asian side in September," Istanbul Mayor Kadir Topbaş said in a statement released.

The Ataköy-İkitelli metro line on Istanbul's European side will be 13.3 kilometers long and will carry around 45,000 passengers per hour in one direction, said the statement. The journey time between Ataköy and İkitelli will be 19.5 minutes, said Kadir Topbaş, adding that the tender would be held Sept. 14.

Topbaş also said the Ataköy-İkitelli line would be integrated with other rail systems, including the Marmaray and another metro line in Bağcılar. Residents living in Bakırköy, Bahçelievler, Bağcılar, Küçükçekmece and Başakşehir will be able to use the lines, said Topbaş. The Dudullu-Bostancı line on Istanbul's Asian side will be 14.2 kilometers and will also have the capacity to carry 45,000 passengers an hour. The tender for the line will be held on Sept. 10, while the journey between Dudullu and Bostancı will take 21 minutes, said the statement.

## Repeated delays increase airline companies' costs by 20 percent in Istanbul

Dogan News Agency, 11.08.2015



Airline companies' operational costs have increased by 20 percent due to repeated delays at Istanbul's Atatürk and Sabiha Gökçen airports amid ongoing construction work during the summer, according to sector representatives.

The construction work at the airports in Istanbul in the midst of the summer season has sparked outrage among passengers, they added. While a report by Turkish Airlines underlined the negative impacts of the construction work of the General Directorate of State Airports Authority in a recent report, Pegasus and Atlas Global representatives also voiced rising passenger dissatisfaction and operational costs.



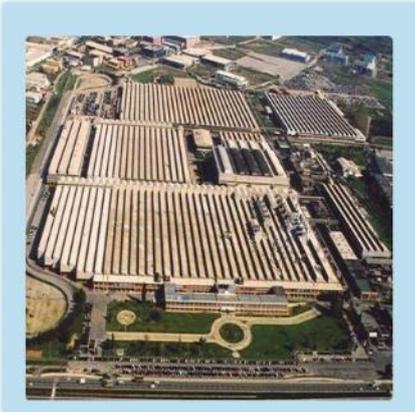
Atlas Global Airlines CEO Orhan Coşkun said the company's operational costs have increased by 20 percent due to the inefficiencies in the airports' capacities. "We keep at least two airplanes in reserve at the airports to be able to make our flights on time. If any capacity rise is not achieved in both the airports, even 12 spare airplanes will not help. The sector will see further delays unless a new runway is built at the Sabiha Gökçen Airport. When flying 20 minutes extra while waiting for an available space at the airport to land, an airplane's operational costs rise by 20 percent," he said.

"HEAŞ, the owner of the Sabiha Gökçen Airport, and DHMI plan construction work and open tenders without taking the views of the airline companies. The existing capacities are used inefficiently. For instance, London's Gatwick Airport has one runway as the Sabiha Gökçen Airport does. While the airplane capacity is 32 in an hour at the Sabiha Gökçen Airport, this is 50 at Gatwick," said Pegasus Airlines CEO Sertaç Haybat. Haybat added the number of spare airplanes will be four by 2016 and each spare airplane will cost the company \$3 million. Turkish Airlines recently requested a schedule from DHMI to determine the possible impact the work may have on capacity. However Ankara said it was "doing what was necessary" after the application by Turkish Airlines, according to sources. Internationally, other large airports in the world generally tend to announce construction projects one year in advance and request a reduced number of flights if necessary. Because of maintenance work at Istanbul's airports, the runways have often been closed for four hours at night, and sometimes as much as six hours. In these cases, back up airplanes cannot land in Sabiha Gökçen, and are coerced to land across the Marmara Sea to the south in Bursa.

According to recent data, the Atatürk and Sabiha Gökçen airports experienced the highest number of delays against other European countries in May 2015. Thus, the airports came to be known as the airports with the highest rate of delays stemming from a capacity problem. Atatürk Airport officials announced the airport as the fifth largest in Europe in terms of daily flight traffic, and 14th in the world, leaving New York's JFK five spots behind. On the other hand, the capacity numbers and the unsatisfactory service to passengers and companies have created a serious problem, against the advertisements of these "record high" numbers. The report also called on officials to explain why the construction projects have been launched during the summer season in Turkey, while work was maintained without any problems in Russia in temperatures under -40 degrees Celsius and in England on days of heavy rain.

## Local company secures 200 million euros in loans for two new car models

Hurriyet Daily News, 12.08.2015



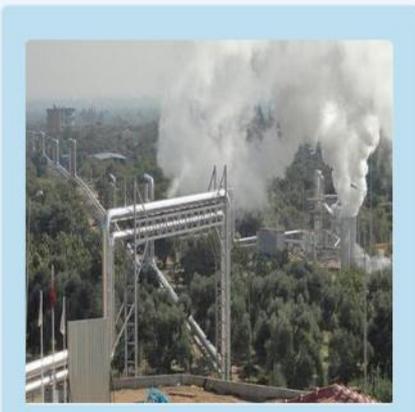
Turkish automotive maker Tofaş has signed a loan deal worth 200 million euros for the financing of two new models, it said in a written statement to the Public Disclosure Platform (KAP). “The loan’s capital and interest payments will be made every six months until December 2022, and the total cost of financing including the insurance premium is approximately six months Euribor plus 2.4 percent,” said the statement.

The automaker, owned by Turkey’s Koç Holding and Italy’s Fiat, previously said it would invest \$1 billion to produce three new models of cars, mainly for export, in another written statement to the KAP in November last year.

The Bursa-based carmaker is planning to produce 1.3 million hatchbacks, station wagons and sedans between 2016 and 2023, it added.

## Energy firm becomes fastest grower in Turkey

Hurriyet Daily News, 11.08.2015



Kahramanmaraş-based Maren Maraş Elektrik in southern Turkey has been named the fastest growing company with a growth rate of 8,754 percent between 2011 and 2013 in a national ranking made by the Union of Chambers and Commodity Exchanges of Turkey. The company, owned by Kipaş Holding, mainly focuses on geothermal energy.

Information and technology company Karbil Yazılım, which increased its sales revenues by 2,501 percent, became the second fastest growing company, and Emza Energy was third with a 2,361 percent increase in revenue, which was prepared in cooperation with TEPAV and AllWorld Network.

Some 45 of the 100 fastest growing companies in the country were based in Istanbul, 12 in the capital city of Ankara and seven both in the northwestern province of Kocaeli and the Aegean province of İzmir. They were followed by Kahramanmaraş with five companies on the list. Speaking at the award ceremony, TOBB President Rifat Hisarcıkıoğlu said the total revenue of the 100 companies was \$2.7 billion with an average annual growth rate at 358 percent, almost 15-fold the country's growth rate. Noting only eight companies were founded by women entrepreneurs, Hisarcıkıoğlu said, "This number is not enough, we need to increase it." He also addressed the recent attacks in the country against Turkish security personnel and underlined the role of the economy in the fight against terrorism.

## Industrial production up in June

Anadolu Agency, 08.08.2015



Turkish industrial production was up sharply in June, as manufacturing and energy output surged, the Turkish Statistical Institute reported. Industrial production increased 5.5 percent in June, compared with the same month last year, the report said. Production was also up 2.4 percent from May 2015.

An Anadolu Agency survey had forecasted a 1.1 percent increase from May. The largest increase was in durable consumer goods with a 13.3 percent jump in June from the previous month.

The manufacturing index increased by 6.9 percent, and the electricity, gas, steam and air conditioning supply index increased by 1.4 percent in June 2015, compared with the same month last year. Within manufacturing, the largest increase was in the manufacture of transport equipment by 32.9 percent, followed by the manufacture of computer, electronic and optical products, up 19.8 percent, and the manufacture of machinery and equipment, improving 12.0 percent in June compared with the previous month. "Relatively strong domestic demand this year helped Turkish industries," commented Bora Tamer Yılmaz, an economist with Ziraat Securities in Istanbul.

"Car and domestic appliance sales are surging. That may be related to an increase in consumer purchasing power. The Financial Stability Committee's measures last year [controls on consumer credit] helped Turkish households to deleverage. Combined with deferred demand, household balance sheets seem to be in a better position, creating additional demand," Yılmaz noted. Increased exports of intermediate goods to German manufacturers also helped industrial production to move higher.

## Turkish FM corrects statement suggesting US jets did not hit ISIL from Turkey yet

Hurriyet Daily News, 13.08.2015



Coalition forces have conducted airstrikes against ISIL targets using Turkey's Incirlik Air Base, Foreign Minister Mevlüt Çavuşoğlu has said after correcting a statement in which he appeared to say U.S. forces had not yet attacked the jihadist group from the base.

“The U.S. has yet to hit Daesh [ISIL] through Turkey,” Çavuşoğlu had said in an interview, adding airstrikes have been launched from other regional countries so far. However, “reconnaissance flights” have started from Incirlik, the minister said, adding that the United States and Turkey would jointly coordinate anti-ISIL operations in the upcoming days.

But Pentagon spokeswoman Commander Elissa Smith said the U.S. began flying manned counter-ISIL missions from Incirlik. Later, both Turkish military sources speaking to Turkish media and the U.S. Central Command (CENTCOM) confirmed that U.S. jets flying from Incirlik had hit ISIL targets in Syria for the first time. Speaking to daily Hürriyet, an aide of Çavuşoğlu, who requested to remain anonymous, said that “the minister had not meant the U.S. jets” in his statement. “Mr. Minister had wanted to say that there were no Turkish jets [hitting ISIL targets],” he added.

## Turkish official: Turkey, US agree PYD cannot cross west of Euphrates

Hurriyet Daily News, 13.08.2015



Turkey and the US both agree that the Democratic Union Party (PYD) cannot be permitted to enter an area in Syria in which Turkey plans to establish a zone that will ostensibly be free of jihadists, according to a Foreign Ministry official.

“There is no hesitation from the beginning regarding the understanding we have reached with the U.S. They [PYD] will not cross to the west of the Euphrates [River]. They will not perform ethnic cleansing and demographic surgery,” said the official, who asked to remain anonymous, noting that displaced Arabs and Turkmens in the region would also return to their homeland as part of the consensus.

The PYD is also “aware where they must stop,” the official said, noting that the message was conveyed to the group through the U.S. and also through various channels that they should not penetrate into the zone that will ostensibly be cleared of the ISIL between Jarablus and Azaz. After the PYD’s military wing, the YPG, removed ISIL from Tal Abyad in June, officials in Ankara declared that the PYD was more dangerous than the jihadist group, while also accusing the YPG of removing Arabs and Turkmens from the area. Many from the communities, however, have returned to the area now controlled by the PYD. Turkey and U.S. have agreed in general terms that envisions clearing ISIL militants from northern Syria by forming an “ISIL-free zone.” The ISIL-free zone will be 98 kilometers long and 40 kilometers wide and situated between the Marea-Jarablus line. The plan crafted by Ankara and Washington foresees the deployment of Free Syrian Army (FSA) units to the area if ISIL is completely cleared from that particular zone, which would both prevent the PYD from further expanding its influence toward the West and relieving the canton of Afrin from jihadist attack. Turkey also expects the zone to become a safe environment to shelter Syrians fleeing violence or those who want to return to their homelands. More anti-ISIL military aircraft will be deployed mainly at the Incirlik Airbase, but other bases as needed, according to the official. Joint anti-ISIL operations with the participation of Turkey will increase in the coming days, as Ankara is waiting for requests by Washington to maintain full-fledged coordination with expected aircraft.

The train-and-equip program for putatively moderate Syrian opposition members has launched a second phase of training in Turkey with almost twice the number of Syrians compared to the first round of 54 “train-and-equip” fighters. British military officials have also arrived in Turkey to join the program, to which a total of seven countries are contributing, the official said. The effort to train Syrian opposition groups is part of an overall campaign to defeat ISIL militants who have seized large parts of Syria and Iraq since June last year. The U.S. deputy special presidential envoy for the global coalition to counter ISIL, Brett McGurk, met with Turkish officials to advance the joint cooperation against ISIL. McGurk’s talks in Ankara came exactly as the U.S. launched its first F-16 fighter missions from Turkey against ISIL targets in Syria.

## US military: US, allies target ISIL in Syria, Iraq with 24 air strikes

Reuters, 14.08.2015



US-led forces conducted 12 air strikes against the Islamic State of Iraq and the Levant (ISIL) in Syria and also targeted the group with 12 strikes in Iraq, the U.S. military said.

Strikes in Syria against the Islamic State of Iraq and the Levant (ISIL) were concentrated near Al Hasakah, where five hit tactical units and destroyed fighting positions and a vehicle, the military said in a statement. There also were two strikes near Abu Kamal, three near Aleppo and two near Kobani, according to the statement released by the Joint Coalition Task Force. US-led forces hit ISIL targets in Iraq, the statement said.

Two strikes near Ramadi hit a tactical unit and destroyed buildings, vehicles and a recoilless rifle, while two near Haditha destroyed mortar systems, a building and a vehicle, it said. Aircraft also hit targets near Al Baghdadi, Bayji, Kirkuk, Makhmur, Mosul, Sinjar and Tal Afar, it said.

## Iran closes key crossing with Turkey

AFP, 12.08.2015



Iran says it has closed its biggest ground crossing with Turkey in the wake of a series of violent attacks on Iranian vehicles.

“The Gürbulak-Bazargan crossing has been unilaterally closed in the direction from Iran to Turkey,” Iranian Road and Urban Planning Deputy Minister Keşaverziyan said, citing an attack on an Iranian truck in Turkish territories. Keşaverziyan said the closing was decided upon Turkey’s request and the door was still open from Turkey to Iran. Keşaverziyan has met with Turkish Ambassador to Iran Rıza Hakan Tekin on a series of recent violent attacks on Iranian vehicles, he added.

## Iran’s FM, Syria’s Assad discuss fight against ‘terror’

AFP, 13.08.2015



Iran’s FM Mohammad Javad Zarif met embattled Syrian President Bashar al-Assad, and called on regional countries to “fight terrorism and extremism”. Assad, thanked key ally Iran for its support in a four-year civil war that has cost more than 240,000 lives.”I say to the other (regional) players and to our neighbours that now is the time to care about truth, answer the aspirations of Syrian people and work to fight terrorism, extremism, and sectarianism,” Zarif said.

He did not give details on his discussions with Assad on finding a solution to the war, only describing the exchange of views as “good”.

An Iranian foreign ministry spokesman had said a new Iranian peace plan was based on “respect for the Syrian people’s legitimate right to reforms and to decide their own future”. Assad, quoted by state news agency SANA, expressed his “appreciation for Iran’s strong support for Syria”. He welcomed “the sincere efforts made by Iran and friendly countries to stop the war against Syria and to preserve the sovereignty and integrity of its territory”. Zarif arrived in Damascus on Wednesday after morning meetings in Beirut with officials including his Lebanese counterpart, Gebran Bassil. “We are ready to cooperate, exchange ideas, and work together with these nations to fight extremism, terrorism, and sectarianism,” he told reporters in Beirut. “We hope that the people of this region and the Lebanese people will benefit from this cooperation.” Zarif met Prime Minister Tammam Salam and Hassan Nasrallah, head of the Lebanese Shiite group Hezbollah. Iran, Hezbollah and Russia have been the biggest backers of the Assad regime throughout the conflict.

## Syrian opposition in Russia meet amid diplomatic push

Anadolu Agency, 14.08.2015



Syria’s main opposition group insisted President Bashar al-Assad must go and rejected calls to join forces against ISIL jihadists as it met with Russia’s foreign minister. The head of Syria’s National Coalition Khaled Khoja held talks with top diplomat Sergei Lavrov as part of a fresh push by Russia to find a way out of the four-year civil war that has cost some 240,000 lives.

Moscow -- one of Assad’s few remaining backers -- is pushing a plan for a broader grouping than the US-led coalition fighting the ISIL group, to include Syria’s government and its allies.

But Khoja -- in Moscow for his first talks since February 2014 -- ruled out cooperating with Assad and reiterated demands that the strongman must leave before any transitional government can be set up. “Bashar Assad has no role in the future of Syria,” Khoja said in an interview with the Interfax news agency translated into Russian. At the start of the meeting, Lavrov insisted that Russia was working with regional and international players to find a political solution to the crisis and stop Syria from becoming a “hotbed of terrorism”. “The main thing now is that these interests translate into practical coordinated steps,” Lavrov said. National Coalition representative Badr Jamous described the visit as “very good”, Russian Interfax reported after the sit-down. “There were many issues where we agreed with the Russian representatives,” Jamous was quoted as saying. Saudi Foreign Minister Adel al-Jubeir -- a key backer of the Syrian opposition -- rejected calls to work with Assad against ISIL after a meeting with Lavrov in Moscow.

The spate of meetings is part of a broader diplomatic flurry that saw Lavrov sit down with Jubeir and US Secretary of State John Kerry in Doha earlier this month. As part of the push, Lavrov is expected to meet with the head of a newer grouping of opposition figures known as the Cairo Conference Committee. Russia's top Middle East envoy met in Moscow with the head of the Syrian Kurdish Democratic Union Party (PYD) Saleh Muslim to discuss the mooted anti-IS coalition and attempts to unite Syria's splintered opposition. Syria's opposition and Western officials have hinted that Moscow's backing for Assad may be wavering, but Moscow insists it remains firmly behind the Syrian leader.

## Iraqi parliament approves Abadi's reform package

Reuters, 11.08.2015



Iraq's parliament voted unanimously to approve Prime Minister Haider al-Abadi's reform package, Speaker Saleem al-Jabouri said during a session broadcast live on state television.

Prime Minister Haider al-Abadi had proposed measures to reduce corruption and save money in the face of mounting unrest. They include eliminating a layer of senior government positions, ending sectarian and party quotas for state positions, reducing officials' benefits and reopening corruption investigations.

Emboldened by widespread anti-government protests and a call by a leading Shi'ite Muslim cleric for tougher action, Abadi announced measures over the weekend aimed at reforming a system critics say hands high office to unqualified candidates and encourages corruption. He proposed scrapping Iraq's multiple vice president and deputy prime minister positions, currently shared out along sectarian lines. Parliament also approved its own package of reforms to sack the ministers of finance and electricity, cut the number of ministries, reduce the size of officials' security details and reform the judicial system. Abadi, who has struggled to build broad support for reform, received a boost from Grand Ayatollah Ali al-Sistani in his sermon. The octogenarian Shi'ite cleric, whom few Iraqi politicians would openly challenge, urged Abadi to "strike with an iron fist" against corruption.

# Saudi Arabia rejects Russian calls to work with Assad against ISIL

AFP, 11.08.2015



Saudi Arabia's foreign minister poured cold water on Russian calls to join forces with the Syrian authorities against ISIL jihadists, insisting it would never work with President Bashar al-Assad. Moscow, one of Assad's few remaining allies, has called for coordination between the Syrian government and members of an international coalition fighting the extremist group, which controls swathes of territory in Syria and Iraq.

But Saudi FM al-Jubeir insisted there would be no cooperation with Syrian regime after meeting Russian counterpart Sergei Lavrov in Moscow.

"As for a coalition in which Saudi Arabia would participate with the government of Syria, then we need to exclude that. It is not part of our plans," Jubeir said in comments translated into Russian. "Our position has not changed... there is no place for Assad in the future of Syria," Jubeir said. "We think that Bashar al-Assad is part of the problem, not part of the solution." Saudi Arabia is part of a US-led coalition that began an air campaign against ISIL in Syria last September. Russia supports Assad while Saudi Arabia insists he must step down to help end a four-year conflict that has cost over 240,000 lives. The two ministers last met in Qatar when Lavrov, Jubeir and US Secretary of State John Kerry held a three-way meeting, with Syria topping the agenda. Lavrov said Moscow was not looking to establish a formal alliance against the radical group but warned a failure to cooperate could open the door to extremists. Russia wanted "all those who are already fighting terrorists to somehow coordinate so that they focus on their main task -- to fight the threat of terrorism," Lavrov said. He admitted that there remained "persistent differences" between Riyadh and Moscow over how to tackle the Syrian conflict. "The exit of President Assad is part of these differences," Lavrov said. Russia is trying to bolster its claims to act as a mediator in the Syrian crisis and is set to host a raft of opposition leaders and negotiators on the crisis. Both Jubeir and Lavrov called for a fresh push to unite Syria's fragmented opposition in a bid to reinvigorate efforts to find a political settlement to the crisis.

# Refugees reaching Greece after dangerous journey want to leave for other EU countries

Hurriyet Daily News, 10.08.2015



Around 500 refugees of Afghan, Iraqi and Syrian origins sheltering in an Athens park say they have no wish to stay in Greece and are hoping to move on EU pastures. The drama of the roughly 124,000 refugees that have struggled through the hardships of the journey to reach Greece does not end when they arrive on the country's shores.

Mostly having made their way into Greece via an illegal and dangerous boat trip starting from Turkey, the 500 refugees staying in tents at the Pedion Areos Park, which is just 20 minutes by foot from the Greek parliament.

They wanted to go to other EU countries as they could not find jobs in Greece and did not want to be transferred to a refugee camp, where living conditions are more difficult. The refugees staying at the park in their own tents said they did not want to go to a new refugee camp, where the infrastructure works are ongoing, in Athens' Eleonas district, as the Greek government announced in recent weeks. The migrants said they wanted official documents to be prepared so that they can leave Greece for a different EU country, where they dream of building a better and safer life for themselves and their family.

Speaking to daily Hürriyet, an Afghan national who identified himself simply as Fehim, said they fled their country out of fear of the Taliban and came to Greece via Turkey, adding that they had been cautious to avoid swindlers in both Turkey and Greece. Fehim, who used to be a car mechanic in Afghanistan, set sail for a Greek island from the Aegean province of Çanakkale four months ago together with his wife, mother-in-law and two sisters-in-law. "There was storm on the [Aegean] Sea but the boat we rode was steady. If I cannot go to the Netherlands or France within a month's time, I will run out of money," Fehim said. The Pedion Areos Park was turned into a camp for the migrants, where around 500 people, including women, children and elderly people of mostly Afghan origin, are currently staying. People stay in a little over 100 tents set up in the park, where there are eight portable toilets for the refugees. Women wash their clothes in basins with the water they take from fountains at the park, while the newly washed clothes hang on ropes hanging between trees. A group of Greek volunteer doctors examine the refugees and prescribe medication at a tent in the park, while a Greek civil society organization distributes free bottled drinking water. Mobile phones are charged with illegal electricity. Ali, 30, who fled Afghanistan three years ago for Turkey and came to Greece three months ago, said he still cannot believe he survived the boat journey from Turkey. "It was May and the waters were not as calm as it is now. We got on a little boat with eight to 10 people from near Izmir with our life vests on us.

All through the night, as I saw the waves, I was afraid of sinking every 10 meters. When we came close to an island, whose name I don't even know, they said we should jump off the boat and swim," Ali said. "I am still surprised how I survived." Some 124,000 people, almost all of them fleeing war and persecution in Syria, Afghanistan and Iraq, have come ashore in Greece since the beginning of the year – a 750 percent increase from the same period last year, the U.N. refugee agency said. But when they arrive on Greece's islands there is usually nothing for them and most are forced to sleep outdoors, relying on volunteers for food and water, Vincent Cochetel, head of the UNHCR's Europe division, said. "It's total chaos on the islands," he said, describing desperate, exhausted people, including women, children and unaccompanied minors, searching for food, water, shelter and information about how to proceed. After a few days they are transferred to Athens, where again "there is nothing waiting for them," he said.

Greece only offers reception places for 1,100 people, he revealed, "which is totally inadequate for the needs." Around 50,000 people arrived in July alone – 20,000 more than in June, the U.N. refugee agency said. Greek Prime Minister Alexis Tsipras asked Europe for help, saying his cash-strapped country could not deal with them alone. The influx has piled pressure on Greece's services at a time when its own citizens are struggling with harsh cuts and its government is negotiating with the EU and the International Monetary Fund (IMF) for fresh loans to stave off economic collapse.

## Lavrov slams 'unfounded claims' of Syria chemical weapons

AFP, 09.08.2015



Russian FM Sergei Lavrov warned against that Syria has chemical weapons, as the UN Security Council investigates deadly chlorine gas attacks. His comments came after Russia backed the setting up of a UN Security Council panel to identify who is behind the chlorine attacks, which the West blames on Damascus regime.

Lavrov said operation to remove chemical weapons from Syria was successful, and all claims to the contrary should be checked. "This problem was successfully resolved," he said of Syria's chemical weapons stocks in a statement.

Syria in 2013 had agreed to turn over its chemical arsenal and disable production sites after the United States threatened military action over a sarin attack outside Damascus. A total of 1,300 metric tonnes of chemical weapons have been removed from Syria, with the majority being destroyed aboard the US Navy ship MV Cape Ray. "Sometimes publications come out that there could be undeclared chemical weapons in Syria. This is all being checked, here we must avoid unfounded accusations," Lavrov said. "We have every basis to consider that Syria will continue cooperating closely." The United States, Britain and France have repeatedly accused President Bashar al-Assad's forces of carrying out chlorine gas attacks with barrel bombs dropped from helicopters.

Russia maintains there is no solid proof that Damascus is behind the attacks. Russia's top diplomat reiterated Russia's backing for embattled Assad, arguing that the US-led coalition should overcome its "persistent rejection" of cooperation with the Assad regime in the fight with the Islamic State of Iraq and the Levant (ISIL). "We still think this objective is achievable," he said. Lavrov is set to meet his Saudi counterpart Adel al-Jubeir in Moscow to discuss the situation in Syria and Yemen and ways to combat ISIL. Lavrov stressed that international powers should unite against ISIL, calling it a "common enemy." He referred to a map drawn up by ISIL showing its plan to control the sites of Mecca and Medina in Saudi Arabia which are sacred to Muslims. "Members of this terrorist organisation have promised to blow up Muslim sacred sites because they consider them to be a reflection of 'incorrect' Islam. This is a terrible organisation," he said.

## UK's Blair warns of Labour 'annihilation' over left surge

AFP, 13.08.2015



Former British PM Tony Blair appealed to members of his Labour party to prevent a left-wing socialist candidate being elected its new leader, warning of electoral "annihilation".

The bearded Jeremy Corbyn has ridden surge of support from people and new supporters to move from being a rank outsider to the frontrunner to succeed Ed Miliband. Blair, who was in power from 1997 to 2007 and is remembered for leading party to landslide victories although his legacy was soured by unpopular Iraq war, said his party was at risk of "self-destruction" if the anti-austerity Corbyn side won.

"The Labour party is in danger more mortal today than at any point in the over 100 years of its existence," Blair wrote in a fiery article in the Guardian. "It doesn't matter whether you're on the left, right or centre of the party, whether you used to support me or hate me. But please understand the danger we are in." "If Jeremy Corbyn becomes leader ... It will mean rout, possibly annihilation." Corbyn, 66, is a veteran campaigner who has repeatedly voted against the Labour party line over his 32 years in parliament, supports scrapping nuclear weapons, and has never held a frontline ministerial position. Seen as the furthest left of the four candidates in the leadership, the softly-spoken former union official has packed out a series of speaking venues, taking many commentators by surprise and prompting newspapers to declare an outbreak of "Corbynmania". But more centrist Labour lawmakers and voters have expressed fear his policies are out of sync with the wider British electorate.

As the deadline passed for registering to vote in the election, several Labour lawmakers spoke out to express fears that infiltration by far-left or mischievous non-Labour members could twist the outcome of the race. Labour has so far rejected applications from around 1,200 members or supporters of other parties who sought to join the list of registered supporters - at a cost of 3 (\$5/four euros) - which would have allowed them to participate in the ballot. Simon Danczuk, a high-profile Labour lawmaker who has called Corbyn's policies "crazy", called for the contest to be re-run. "Hearing the horror stories from around the country in terms of entryism... I do think we're moving to a position where the election probably isn't tenable," he told LBC radio. Another, Graham Stringer, said the race should be paused. "People who basically have lied when they say they are Labour Party supporters are going to vote in the election," he said on LBC. Around 440,000 people are eligible to vote in the election, which gets under way. Labour says it has "no plans" to suspend or halt the race.

## Nagasaki marks 70th anniversary of atomic bombing

AFP, 09.08.2015



Japan marked the 70th anniversary of the atomic bombing of Nagasaki that claimed more than 74,000 lives almost instantly, in one of the final chapters of World War II. Bells tolled and tens of thousands of people, including ageing survivors and the relatives of victims, observed a minute's silence at 11:02 am (0202 GMT), the exact moment the blast devastated the port city on August 9, 1945.

Prime Minister Shinzo Abe laid a wreath of flowers, with representatives from 75 countries, including US ambassador Caroline Kennedy, attending the ceremony.

"As the only country attacked with an atomic bomb in war, I am renewing our determination to lead the global effort of nuclear disarmament, to create a world without such weapons," Abe said in his speech. Abe also said the country would continue to abide by its long-held non-nuclear principles: not producing, possessing or allowing nuclear weapons on Japanese territory. He was criticised for failing to mention the three principles at a ceremony days earlier in Hiroshima, alarming atomic bomb survivors, particularly at a time when the nationalist leader is trying to push through legislation to expand the role of the military. Nagasaki Mayor Tomihisa Taue appeared to implicitly criticise the bills in a speech at the ceremony. "Worries and anxieties are now spreading among us that this pledge made 70 years ago and the principle for peace in the Japanese constitution may be now undermined," he said to loud applause. Abe has faced criticism and opposition for his efforts to boost the role of his pacifist country's Self-Defence Forces, changes that open the door to putting troops into combat for the first time since the war. A constitution imposed by US occupiers after the war prevented Japan's military from engaging in combat except in self defence.

In the now bustling port city of Nagasaki, about 74,000 people died in the initial blast near a major arms factory from a plutonium bomb dubbed “Fat Man”, or from after-effects in the months and years following the bombing. The attack on Nagasaki came three days after American B-29 bomber Enola Gay dropped a bomb, dubbed “Little Boy”, on Hiroshima, the first atomic bombing in history. Nearly everything around it was incinerated by a wall of heat up to 4,000 degrees Celsius (7,200 degrees Fahrenheit) -- hot enough to melt steel. About 140,000 people are estimated to have been killed in the Hiroshima attack, including those who survived the bombing itself but later died from radiation sickness. Gums bled, teeth fell out, hair came off in clumps; there were cancers, premature births, malformed babies and sudden deaths. The twin bombings dealt the final blows to imperial Japan, which surrendered on August 15, 1945, bringing an end to World War II.

While some historians say that they prevented many more casualties in a planned land invasion, critics counter that the attacks were not necessary to end the war, arguing that Japan was already heading for imminent defeat. At memorial ceremonies in Hiroshima Abe said Japan would submit a fresh resolution to abolish nuclear weapons at the UN General Assembly this year. “We have been tasked with conveying the inhumanity of nuclear weapons, across generations and borders,” he told the crowd. This year’s memorials come days ahead of the scheduled restart of a nuclear reactor in southern Japan -- the first one to go back on line after a two-year hiatus following the tsunami-sparked disaster at Fukushima in 2011. While Abe has pushed to switch reactors back on, public opposition remains high after the worst nuclear accident since Chernobyl in 1986.

## US to raise sanctions-hit Iran general’s Moscow visit at UN

AFP, 13.08.2015



The US said it would raise the issue of a recent Moscow visit by a senior Iranian general at the UN, saying it violated UN resolutions on Iran. General Qassem Suleimani’s visit to Russia, had not received much attention until it was mentioned in Iranian media and on America’s Fox News channel in the context of war in Syria. US State Department deputy spokesman Mark Toner confirmed the trip.

“So we’ve raised this travel with senior Russian foreign ministry officials, and we’re going to raise it and address it further in New York,” Toner said.

Suleimani, the Revolutionary Guard’s commander of foreign operations, is one of several Iranian officials targeted by a 2007 UN travel ban because of their alleged links to Iran’s nuclear or ballistic missile programs. Despite the recent deal struck by Iran and world powers on its nuclear programme the sanctions against Suleimani remain in effect, Toner noted, adding the US would work to ensure “that there’s a full, thorough, adequate investigation (of the visit) as well as sufficient follow-up”.



Suleimani has also reportedly been sighted visiting Iranian-backed forces in Iraq. Iran is providing military support to Syrian President Bashar al-Assad's regime, which is embroiled in a four-year-old conflict with various rebel groups. Tehran is also supporting several groups fighting Islamic State of Iraq and the Levant (ISIL) jihadists in Iraq and Syria. Suleimani is considered a key figure in the provision of that military assistance. Syria has come under renewed diplomatic focus following the July nuclear deal with Iran, which has announced it will present a Syria peace plan to the UN.

## Announcements & Reports

### ▶ *The Grand Divergence: Global and European Current Account Surpluses*

**Source** : Bruegel

**Weblink** : <http://bruegel.org/2015/08/the-grand-divergence-global-and-european-current-account-surpluses/>

### ▶ *Grappling with the South China Sea Policy Challenge*

**Source** : CSIS

**Weblink** : <http://csis.org/publication/grappling-south-china-sea-policy-challenge>

### ▶ *The Nuclear Restart in Japan*

**Source** : Bruegel

**Weblink** : <http://csis.org/publication/nuclear-restart-japan>

## Upcoming Events

### ▶ *National Perspectives on The Euro Area*

**Date** : 18 August 2015

**Place** : Brussels - Belgium

**Website** : <http://www.bruegel.org/nc/events/event-detail/event/536-national-perspectives-on-the-euro-area/>

### ▶ *Capital Requirements and Loss Absorbing Capacity for Large Banks*

**Date** : 18 August 2015

**Place** : Brussels - Belgium

**Website** : <http://www.bruegel.org/nc/events/event-detail/event/538-capital-requirements-and-loss-absorbing-capacity-for-large-banks/>

### ▶ *The Meaning of Russia's Nuclear Threats*

**Date** : 20 August 2015

**Place** : Washington DC – The USA

**Website** : <http://www.brookings.edu/events/2015/07/08-russia-nuclear-threat>



► *Financing The Post-2015 Sustainable Development Agenda: What Are The Issues and What Is The Role of The IMF?*

**Date** : 20 August 2015  
**Place** : Washington DC – The USA  
**Website** : <http://www.brookings.edu/events/2015/07/08-financing-post-2015-sustainable-development-lagarde>

► *The Productivity Gap: Why is Innovation Not Increasing Growth?*

**Date** : 21 August 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/544-the-productivity-gap-why-is-innovation-not-increasing-growth/>

► *The Kuwait Crisis 25 Years Later*

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

► *Emerging Markets and Europe: Time for Different Relationships?*

**Date** : 07 September 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/524-emerging-markets-and-europe-time-for-different-relationships/>

► *What future for Europe's Social Models?*

**Date** : 08 September 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/526-what-future-for-europes-social-models/>

► *Challenges for Growth in Europe*

**Date** : 28 September 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/521-challenges-for-growth-in-europe/>



► *Global Governance of Public Goods: Asian and European Perspectives*

**Date** : 01 October 2015

**Place** : Paris - France

**Website** : <http://www.bruegel.org/nc/events/event-detail/event/529-global-governance-of-public-goods-asian-and-european-perspectives/>

► *The Future of the Welfare State*

**Date** : 17 November 2015

**Place** : Berlin - Germany

**Website** : <http://www.bruegel.org/nc/events/event-detail/event/541-the-future-of-the-welfare-state/>