

Turkey 'ready for new investments from UK'

Hurriyet Daily News, 24.12.2015



The British Chamber of Commerce in Turkey (BCCT) has said the collaborative business potential of Turkish and British companies are growing as big international brands position Turkey as their regional hub, in its annual assessment report revealed.

Turkey is expected to be the second production hub in Europe and sixteenth production hub in the world in the next five years, according to the statement. Though this year was not as active as previous years regarding investments, British firms are still willing to do business in Turkey, said BCCT Chairman Chris Gaunt.

Gaunt also said bilateral trade will grow bigger in 2016, with the support of British companies that are planning to participate in the Turkish market. He added that the foundation of the U.K. and Turkey's commercial relationship is strong, while economic growth, the rising middle-class, big infrastructure and healthcare projects are also appealing for British companies.

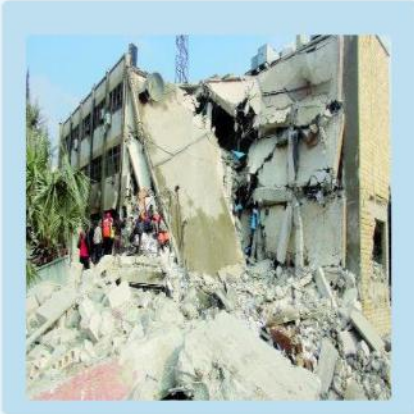
Within the last five years, the U.K. has been among the five top countries in regards to foreign direct investment (FDI) to Turkey, according to BCCT data. BCCT Business Development Manager Serenay Yilmaz said during their visits to the U.K., they briefed almost 100 companies on developing business in Turkey and provided consultancy services for partnerships and investments. In this frame, new collaborations are developing in the field of global energy and environment, as British companies are acquiring Turkish companies and providing infrastructure solutions, according to the statement.

According to the data of formal commercial sources, the trade volume between two countries was \$16 billion in the last year. Nearly 65 percent of this volume is exports from Turkey to the U.K. According to the BCCT's data, Turkey's location and active role in regional trade, collaborative approach, flexible and easy adaptation characteristics of local companies are beneficial for international companies' businesses in the region. In addition, international companies are rapidly becoming successful in local and regional markets by acquiring local firms.

Some global firms and their relative number of countries they coordinate from Turkey are as follows: Coca Cola (90), GE Healthcare (84), Microsoft (79), Intel (67), Unilever (34), GlaxoSmithKline (30), BHS (42), Schneider Electric (27), Alstom (17), Ericsson (22), Cargill (20), Volvo (30) and BASF (35). BCCT not only encourages British firms to become involved in the Turkish market but also supports them in starting new projects in third market countries with Turkish partners. For example, a Turkish firm was recently building a stadium in Turkmenistan and its British partner supported this project by taking the full responsibility of the sport complex design, added the statement.

Turkish FM slams Russia for killing 600 civilians in Syria

Anadolu Agency, 21.12.2015



Turkish Foreign Minister Mevlüt Çavuşoğlu has slammed Russia for killing more than 600 civilians in Syria since the latter started conducting airstrikes inside the country in support of President Bashar al-Assad late September.

In a written statement issued, Çavuşoğlu said Russian operations had killed more than 600 civilians, of which 150 were children. “The death toll of civilians due to Russian operations is over 600. Some organizations say this number is around 800. We want the world to know that more than 150 of this number are children,” Turkish Foreign Minister Mevlüt Çavuşoğlu said.

He added that around 200 of the 600 civilians killed up to now had been killed in airstrikes in Syria’s northwestern province of Idlib, which Çavuşoğlu accused Russia of conducting. Çavuşoğlu condemned Russia for the Dec. 20 airstrikes in Idlib, where he alleged around 200 civilians were killed and many buildings damaged.

“Russia mainly targets the moderate opposition in Syria since it entered Syria on Sep. 30. Meanwhile, civilian residential areas have been increasingly targeted as well,” the statement read. Meanwhile, the Syrian Observatory for Human Rights said suspected Russian air strikes killed 36 people in Idlib, adding that most of those killed in the raids were fighters from the Army of Conquest rebel group, Agence France-Presse reported.

The Army of Conquest is a coalition that includes al-Qaeda’s Syrian affiliate, al-Nusra Front, and Islamist groups such as its ally, Ahrar al-Sham. Çavuşoğlu also said Russia had launched around 4,000 aerial attacks with over 90 percent of those targeting moderate opponents of al-Assad.

He said those attacks had strengthened the hand of the Islamic State of Iraq and the Levant (ISIL), adding that Russia was “dreaming” of handing the country over to the Assad regime again. Çavuşoğlu said Russian operations that followed a U.N. endorsement of a Syria peace plan reached had happened before the “ink had dried” on the document.

Describing Russia’s actions as “insincere, to say in the least,” the Turkish foreign minister said such bombardments needed to stop targeting the moderate opposition and civilians, otherwise the conflict would continue for years. Russia began air operations in Syria on Sept. 30 with the aim of supporting the embattled regime of al-Assad. While Moscow has struck ISIL, especially after a Russian civilian airliner crashed in Egypt, NATO has claimed Russia was targeting groups opposed to al-Assad, including some that enjoy U.S. and Turkish support. At least 250,000 people have been killed since the Syria conflict began in 2011, according to U.N. figures.

Turkish, Azerbaijani, Georgian defense ministers meet in Istanbul

Anadolu Agency, 21.12.2015



The defense ministers of Azerbaijan, Georgia and Turkey came together in Istanbul on as part of a previously established cooperation agreement between the three countries.

Speaking after meeting with Georgian Defense Minister Tinatin Khidasheli and Azerbaijani Defense Minister Zakir Hasanov in Istanbul, Turkish Defense Minister İsmet Yılmaz said deepening the cooperation between the three countries would contribute not only to relations between the three states but also to the development of regional peace, stability and prosperity.

“During our meeting, we emphasized the need for improving trilateral and regional cooperation on topics that will benefit all three countries. We mainly focused on defense, security and our countries’ armed forces,” said Yılmaz.

The three ministers had come together for the third meeting of the “Trio Defense Ministers meeting.” Yılmaz said the cooperation and dialogue established between the three states could be an “example to others,” at a time when global and regional dialogue is sought more than ever. Yılmaz said the three defense ministers had underlined the importance of the signing of a memorandum of understanding on cooperation over defense issues.

Turkey, Greece to meet over Aegean disputes after one year

Hurriyet Daily News, 22.12.2015



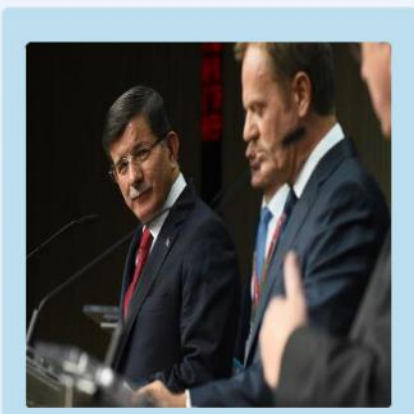
Diplomats from Turkey and Greece are set to resume discussions aimed at resolving the decades-long dispute over the official border between the two countries in the Aegean Sea, more than one year after the most recent talks.

A statement from the Turkish Foreign Ministry announced the 59th round of “exploratory contacts” between the two countries would be hosted in Istanbul. The meeting comes after high-level dialogue between the two countries’ prime ministers, who agreed to resume talks. The most recent exploratory contacts took place on Sept. 13, 2014, in Thessaloniki.

Talks began in the early 2000s to end the dispute between Athens and Ankara over territorial water, continental shelf and airspace boundaries over the Aegean Sea. Turkey and Greece have improved their political and economic relations in recent years, but have not found a formula to end the Aegean problem. The two countries even came to the brink of war in the mid-1990s over a disputed islet.

Turkey blames Iraq’s Shiite-dominated government for Mosul’s fall

Hurriyet Daily News, 22.12.2015



In a move likely to add insult to injury for Baghdad, the Turkish government has put the blame on the Shiite-dominated Iraqi government for the fall of Mosul, while also vowing to continue military assistance for Iraq until Mosul is liberated.

Days after Turkey announced over the weekend its decision to continue to remove its troops from the Bashiqa camp near Mosul after nearly 10 days of tension with the Iraqi government, Prime Minister Ahmet Davutoğlu told his ruling AKP deputies that Turkey’s military training and equipment support for Iraq will continue until Mosul is liberated.



Mosul's fall to the Islamic State of Iraq and the Levant (ISIL) on June 10, 2014, displayed the need for cooperation between local and international forces, Davutoğlu said at a parliamentary group meeting of his AKP.

"Within this framework and in line with Iraqi authorities' demands, we have been providing training and equipment to both the Peshmerga and the local Mosul volunteers. Our support will continue until Mosul is liberated," Davutoğlu said, arguing that attack against a base in northern Iraq where Turkish troops were stationed justified their position on the issue.

In a speech delivered at parliament a few hours later in the same day, Defense Minister İsmet Yılmaz explained to members of the national assembly how Turkey's internal peace and the security of its citizens were related to developments in neighboring countries, as each crisis in Iraq in the last three decades led to weighty consequences for Turkey as well.

"Iraq's al-Qaeda, which lost significant power four-five years ago, has revived again with the crisis in Syria. Daesh [ISIL], which arose from this terrorist group, has exploited ethnic, sectarian and political fault lines in Iraq. Consequently, it has become an open threat for our country, our region and the international community," Yılmaz said.

"The fact that it keeps one-third of Iraq's territories under its control and that it captured a province like Mosul, which has critical importance in strategic, economic and logistical senses, lies at the bottom of the threat posed by Daesh. Therefore, ensuring Iraq's stability passes from neutralizing Daesh. This can only be possible through the recapture of Mosul, which has, in the first place, strategic importance. The question to which we need to seek an answer is by whom, by which forces and with which capacity Mosul can be recaptured," he said.

According to Yılmaz, it is not possible to explain Mosul's fall to ISIL with this group's experiences and warfare capabilities. "The Iraqi army's 70,000-strong forces deployed in Egypt, for which the international community has spent vast resources since 2003, handed Mosul over to Daesh without showing any resistance," he said.

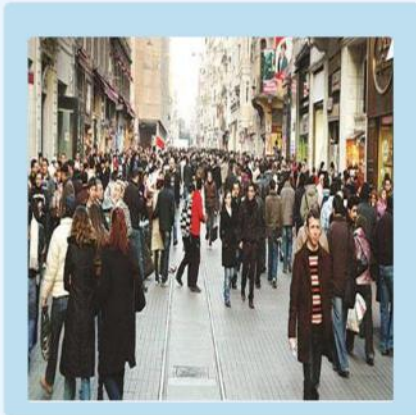
"In the face of the Daesh attack, the Iraqi army, almost all of which is composed of Shiites, didn't consider Mosul, which is a Sunni province, as its homeland and didn't even fire a single bullet to defend those territories," he said, putting the blame for ISIL's further advance in Mosul on "the central government's exclusionist and sectarian policies," which also led to frustration among Mosul's people, prompting them to not show resistance to ISIL.

During the same plenary session, former Turkish consul-general Öztürk Yılmaz, who was among 49 people kidnapped by ISIL for 101 days in Mosul before his release in September 2014, also took to the rostrum. "Turkey couldn't meet the balances in this region during this period," Yılmaz, now a deputy for Ardahan from the main opposition Republican People's Party (CHP), said.

"We have forgotten even the number of tribes whom we invited to Turkey before ISIL invaded Mosul and the north of Baghdad. We invited all of the Sunni tribes to Turkey. We left aside the state and all Sunni tribes came to Turkey. They wine and dined and made plans and then on June 11, 2014, they all obeyed [ISIL leader] Abu Bakr al-Baghdadi. Is politics something like this?" Yılmaz asked.

Turkish consumer confidence index falls in December

Anadolu Agency, 21.12.2015



Turkey's consumer confidence index fell in December after a sharp increase in November, the Turkish Statistics Institute (TÜİK) said in a report. The index fell to 73.58 in December from 77.15 in November, according to the report.

The index had jumped to a high reading in November from 62.78 in October. Worries about employment seemed to have been predominant, as the number of people in the unemployed expectation index decreased by 7.4 percent compared with the previous month. General economic confidence also dropped by 5.6 percent the report said.

However, confidence in savings improved, as the probability of savings index was up 1.9 percent. A better performance by the Turkish Lira may help confidence improve in the near future, according to analysts. Since the U.S. Federal Reserve (Fed) raised interest rates, the lira has been rising against the dollar, from about 2.96 to the dollar before the rate hike to about 2.91.

"We see durability in the Turkish economy still with good growth drivers, a pickup in exports to the EU, a cheap currency, sound public finances and banks and favorable demographics, all helped by low oil and commodity prices," commented Timothy Ash, a credit strategist at investment bank Nomura in London in a note published last week.

Turkey's Gross Domestic Product is one of the strongest among emerging markets, at an annual rate of 4 percent, according to a report by TÜİK released earlier. In its most recent inflation report, the Turkish Central Bank said rising food prices were one of the most important inflationary pressures but they were beginning to fall back. The report noted inflation has been stabilizing in Turkey for the past six months.

With inflation stabilizing, domestic demand continues to drive economic growth in Turkey, according to analysts. Consumer spending in Turkey increased to 22.6 million liras (\$7.8 million) in the third quarter of 2015 from 21 million liras (\$7.3 million) in the second quarter of 2015, according to Trading Economics. Turkish consumers spent about \$453.6 million in 2014, compared with \$447.7 million the previous year.

"Moreover, the planned increase in the minimum wage to 1,300 Turkish liras per month will support further consumer spending, along with a substantial fiscal stimulus package that the new government has promised," commented Bora Tamer Yılmaz, an economist at Ziraat Securities in Istanbul.

Turkish assets hold steady ahead of critical Central Bank meeting

Reuters, 21.12.2015



Turkish stocks firmed and the TL moved sideways ahead of a crucial interest rate decision that could help the Central Bank shake off fears about interference in monetary policy.

The U.S. Federal Reserve's decision last week to hike rates is widely expected to nudge Turkey's Central Bank into following suit at its meeting. It has kept rates on hold for the past nine months despite a plunging lira and above-target inflation. Many investors worry that the Central Bank has failed to move due to pressure from senior political authorities, who have repeatedly called for rate cuts and equated high rates with "treason."

Concerns about political meddling in policy - as well as security worries - have helped push the lira to a series of record lows. In dollar terms, the blue-chip stock BIST 30 is down by nearly a third this year, making it the third-worst performer among 30 major emerging market indices, according to Thomson Reuters data.

"Balance of payments problems and rising inflation mean that Turkey is also likely to hike rates ... despite pressure from the government," William Jackson, an economist at Capital Economics in London, said in a recent note to clients. The lira was at 2.91 to the dollar on Dec. 21, little changed from the closing on Dec. 18.

The BIST 100 index, the broadest measure of Istanbul stock performance, was a bit stronger. Fourteen of 16 analysts polled by Reuters last week said they expected the benchmark one-week repo rate to rise, with most of them predicting a half-percentage point move from today's 7.5 percent.

They also expect a similar increase in the overnight borrowing rate. Some market participants refer to the repo rate derisively as the "politicians' rate" as it does not reflect the true cost of borrowing. That is better reflected by the weighted average cost of central bank funding, which is hovering at around 8.85 percent.

"Tomorrow's CBRT rate decision will be key for subsequent market direction. A 50 bp hike in the overnight lending rate is expected, although this may end up being viewed as insufficient and dovish, which would cause a sell-off in equities," Deniz Invest said in a note.

Russian crisis to have ‘limited’ impact on Turkey’s trade

Reuters, 24.12.2015



Turkish Deputy Prime Minister Mehmet Şimşek said souring relations with Moscow after Turkey shot down a Russian warplane last month had not had a serious impact on trade and was unlikely to do so.

“We do not anticipate a lasting, significant impact on foreign trade. If there is one, it will be limited,” he told Reuters in an interview. “We will be able to find alternative markets for our products,” he added. Turkish Deputy Prime Minister Mehmet Şimşek said he expected faster economic growth this year than official forecasts, and even stronger expansion next year.

He also noted Turkey’s Central Bank had been “very clear” in its statement explaining its surprise decision to leave interest rates steady this week, in comments that may do little to quell investors’ concerns about the bank’s independence.

The “positive surprise” of third-quarter GDP growth of 4 percent pointed to full-year growth of 3.5 to 4 percent and more than 4 percent growth in 2016, said Şimşek, who is responsible for the performance of the economy.

In October, the government cut its growth forecasts to 3 from 4 percent in 2015 and to 4 from 5 percent in 2016. “This growth is a rather good outcome given the serious political instability due to elections, troubles in the Middle East and surrounding countries and the narrowing demand due to the collapse in commodity prices,” he said.

Şimşek, a former finance minister, took up his new post last month after an election that handed one-party rule back to the Justice and Development Party (AKP), which oversaw an economy that has grown around 5 percent annually on average since it first came to power in 2002. The deputy prime minister also said he expected the current account deficit, resource-poor Turkey’s biggest economic weakness, to narrow to about 4.5 percent of GDP this year and then to 4 percent next year.

“We think the narrowing in the current account deficit will continue next year despite developments in Russia and the region,” he said. Şimşek said the Central Bank, which stunned the markets by not hiking interest rates as widely expected, was acting in line with its “road map” towards a simpler policy framework aimed at narrowing its corridor of interest rates.

“[The Central Bank] has taken many steps required by this road map and said that the next step would be a process of narrowing the corridor. It linked this to market volatility,” he said, avoiding further comment. “In the short term, naturally, inflationary pressures will continue to be strong.

The decline in global commodity prices will be somewhat supportive in the period ahead,” he noted, suggesting the inflationary pressure the Central Bank has faced may ease. “To lower [inflation] we have to raise productivity, securing this with structural reforms. We must strengthen monetary policy’s hand by keeping fiscal policy tight,” he said. He added that the 2016 budget would give the signal that fiscal discipline will be maintained and forecast faster growth next year as political uncertainty wanes and European economies recover.

“The reform agenda, serious real increases in wages, domestic investment and consumption will boost demand,” he said. He added that a delay in Turkey’s implementation of the Basel III set of global banking regulations, expected to take place in March, was not currently on the agenda.

Israel, Turkey poised to renew diplomatic relations

WSJ, 18.12.2015



Israel and Turkey are poised to re-establish diplomatic ties after years of tense relations, officials from both countries said, a move that could renew close cooperation between two of the U.S.’s strongest allies in the region.

Top Israeli and Turkish officials met for secret talks this week in Switzerland, where they worked to complete a deal to restore relations that collapsed in 2010 after 10 people, nine Turkish citizens and one Turkish-American, were killed when Israeli commandos raided a Turkish ship carrying activists trying to break Israel’s economic blockade of the Hamas-ruled Gaza Strip.

Officials from both countries cautioned Friday that details of the agreement were still being worked out and the deal could still collapse—the two sides came close but failed to secure a similar deal in February 2014. But they said the talks offered the most promising sign that Turkey and Israel were ready to put the politically charged incident behind them.

The talks came as the international fight against the extremist group Islamic State injects new strains and transforms long-standing alliances in the region. Russia’s intervention in the Syrian civil war has altered the battlefield and led to new efforts by Turkey, the U.S. and their allies to end the conflict and combat Islamic State.

Ankara’s close ties with Moscow unraveled last month when a Turkish jet shot down a Russian bomber carrying out airstrikes in Syria near Turkey’s border. Russia has imposed modest economic sanctions on Turkey and demanded an apology from Turkish leaders who have sought to contain the diplomatic and financial damage to their country.



With Turkey's relations with Russia deteriorating, Ankara has sought to mend ties with Israel and stepped up talks with the government of Prime Minister Benjamin Netanyahu, whose country could become a vital new source of natural gas for Turkey.

Israel's national security adviser, Yossi Cohen, and Joseph Ciechanover, Mr. Netanyahu's special envoy to Turkey, met for secret talks in Switzerland with Feridun Sinirlioglu, undersecretary at Turkey's Foreign Ministry, according to one Israeli official.

At the meeting, the official said, negotiators agreed that Israel would establish a special fund to compensate families of the victims killed in the 2010 raid on the MV Mavi Marmara. Turkey would ensure that Israeli officials are shielded from prosecution over the incident, according to details released by Israeli officials.

Ankara also would bar a top Hamas militant from entering the country to deter him from planning attacks against Israel from Turkish soil. In addition, the two sides would launch talks over a natural gas pipeline between the two countries and resume normal diplomatic relations by sending ambassadors back to their respective capitals.

Currently, Turkey gets most of its natural gas from Russia, and that access has been jeopardized by the clash between Ankara and Moscow. Talk of a new Turkey-Russia natural gas project has been shelved. The energy issue came up in Wednesday's talks in Switzerland, the Israeli official said, where the two sides agreed to launch new discussions over the natural gas project.

That would allow Turkey to reduce its energy dependence on Russia and open up a new market for Israeli and U.S. developers of a new natural gas project off the Israeli coast. Warmer relations between Israel and Turkey would also allow the two countries to work more closely together in the fight against Islamic State extremists who pose a danger to the two countries, which both share borders with Syria.

News of the talks came as the North Atlantic Treaty Organization took more steps to protect Turkey's borders. NATO allies are shoring up Turkey's air defenses, beefing up their naval presence, and sending in more aircraft for surveillance missions, an official with the alliance said.

Turkish and Israeli officials said that there were still hurdles to be overcome in the talks, including how to address Turkey's demands that Israel lift the blockade of Gaza that the activists were trying to break. "The state of Israel has to be smart," said Israeli Intelligence Minister Yisrael Katz. "First of all, this agreement isn't an agreement. It is a few principles that were talked about. There are things that haven't been concluded at all."

The May 31, 2010, Israeli raid on six civilian ships in international waters sparked an international furor. The attack on the Mavi Marmara was captured by dramatic video that showed Israeli commandos rappelling down to the deck from helicopters as some activists tried to fight back. Nine activists were killed and a 10th died later. Turkey withdrew its ambassador to Israel and later expelled Israel's ambassador to Turkey. For years, Recep Tayyip Erdogan, now Turkey's president, used the incident to stir up animosity in Turkey toward Israel.

In 2013, at the urging of President Barack Obama, Mr. Netanyahu called Mr. Erdogan, then prime minister of Turkey, to apologize. But the gesture failed to jump-start talks on restoring relations. Mr. Erdogan hinted at warming Israeli-Turkish relations, saying an agreement could be good for the region.

Turkey continues to withdraw ‘security’ troops in Iraq, says defense minister

Anadolu Agency, 25.12.2015



Turkish Defense Minister İsmet Yılmaz said the withdrawal of “security” troops stationed in the Bashiqa camp in northern Iraq is continuing, while the troops deployed for training purposes were to stay at Bashiqa.

“Our training troops are there; the withdrawal of the other troops [who provide protection for the training officers] is continuing,” said Yılmaz, answering a question at the parliament. Relations between Turkey and Iraq have been tense, when Turkey deployed additional troops, hundreds of commandos and a small mechanized unit to the Bashiqa camp, which lies near ISIL-held Mosul.

The move infuriated Iraq to the extent that it brought the issue before the United Nations Security Council, asking it to use its powers to force Turkey to pull its troops from Iraq. Turkey withdrew a portion of its troops from the Bashiqa camp more than a week after their deployment but this effort failed to calm Iraq’s anger over the issue.

Turkey announced that it would continue to remove its troops from Bashiqa upon insistent appeals from Washington, which included a phone call from U.S. President Barack Obama to Erdoğan a day before.

Baghdad welcomed Turkey’s move to pull the troops but said it would keep up efforts at the U.N. to achieve a full withdrawal. “What has been reported in the media is a step in the right direction,” Foreign Minister Ibrahim al-Jaafari was quoted as saying in a statement from his office. “We will carry on our process with the Security Council until a full withdrawal is achieved.”

Iraq Defense Ministry said Turkish troops stationed in northern Iraq were far from being pulled out, despite Turkey’s promises to withdraw the additional troops stationed at the camp. “In fact, there is no Turkish troop withdrawal. There are just statements from Ankara,” said Iraqi defense ministry spokesman Nasir Nouri Mohammed, Russian news agency TASS reported. According to the spokesman, Ankara’s forces “only slightly relocated near the same positions.” This cannot even be called a “partial withdrawal,” Nouri Mohammed said, let alone a full withdrawal of the Turkish contingent.

Arab League denounces Turkish troop deployment in Iraq

AFP, 25.12.2015



The foreign ministers of the Arab League condemned a Turkish military deployment in Iraq as an “assault” on the country’s sovereignty, demanding Ankara withdraw the forces.

The Turkish deployment “is an assault on Iraqi sovereignty and a threat to Arab national security,” they said in an Arab League statement after meeting at the pan-Arab bloc’s Cairo headquarters. Arab League deputy chief Ahmed Ben Heli read out the statement at a press conference, in which he added that the Turkish troops “increased tumult in the region.”

Turkey announced that it would continue to withdraw troops in a bid to de-escalate a bitter row with Baghdad and following a call from U.S. President Barack Obama. Turkey deployed additional troops to the Bashiqa camp in the country’s north where it has a long-running training program for forces battling the Islamic State of Iraq and the Levant (ISIL). The camp is located around 20 kilometers away from Mosul, which is held by ISIL militants.

But at the Cairo meeting, Iraqi Foreign Minister Ibrahim al-Jaafari said Turkey has insisted on “using the term ‘redeployment’.” “They [the troops] would be relocated from one Iraqi area to another Iraqi area. Sovereignty is sovereignty, and the territories are one,” he said.

Later at a news conference, the diplomat said Turkey must withdraw its troops as soon as possible, but said he understood it could take them “several days” to do so. Ankara had said the deployment was routine and necessary to protect the trainers, while Baghdad said it was unauthorized and protested to the United Nations Security Council to use its force to make Turkey pull its forces from Iraq.

Ankara: Russia-Armenia deal heats up Caucasus

Hurriyet Daily News, 25.12.2015



The Turkish government has expressed concern an agreement between Russia and Armenia to unify their air defense systems and Armenia's recent statement that a ceasefire with arch-foe Azerbaijan over the breakaway region of Nagorno-Karabakh virtually no longer exists will increase the risk of clashes in the Caucasus.

A Turkish official speaking on condition of anonymity said Russia and Armenia needed to abstain from actions that would jeopardize regional peace in the Caucasus, as they feared Yerevan's attitude would boost the risk of clashes in the region.

The official also said Ankara was in favor of continuing with the good neighbor relationship in the Caucasus. Russia and Armenia have decided to unify their defense systems in order to strengthen their air frontiers in the Caucasus.

Russian Defense Minister Sergei Shoigu and his Armenian counterpart, Seyran Ohanyan, signed an agreement to form a Joint Air Defense System in the Caucasus. Meanwhile, Armenia said that the ceasefire with arch-foe Azerbaijan over the breakaway region of Nagorno-Karabakh virtually no longer exists, describing frequent skirmishes at the frontline as "war."

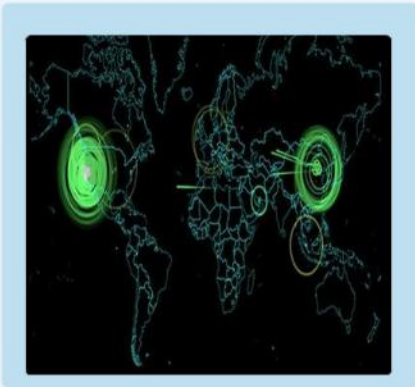
The Armenian defense ministry's strongly-worded statement came after talks in Switzerland on the weekend between the leaders of Azerbaijan and Armenia, Ilham Aliyev and Serzh Sargsyan, respectively, over the future of the disputed region appeared to have brought no tangible results.

"What we have today is a war," Armenian defense ministry spokesperson Artsrun Hovhannisyan told journalists. "We must use the word 'war' as there is no ceasefire anymore," he added, accusing Azerbaijan of military provocations along the ex-Soviet neighbors' shared border and across the Karabakh frontline, while Azerbaijan responded to the statement with counter-accusations, blaming Armenia for the recent escalation.

"Ceasefire violations are taking place because of the illegal presence of Armenian forces in the occupied lands of Azerbaijan," Azerbaijani foreign ministry spokesperson Hikmat Hajiyev had told AFP. Commenting on the Armenia-Azerbaijan tension, the Turkish official said that Armenia, which has occupied the Nagorno-Karabakh region for around 20 years, ruled out the international efforts, especially of the United Nations, to find a solution to the conflict. "The increase in activities and casualties on the line of contact in Nagorno-Karabakh and the border between Azerbaijan and Armenia indicates that as the conflict prolongs the risk of close combat increases," said the official. "We keep our position for the peaceful solution of this matter," he added.

Turkish banks under cyberattack amid crisis with Russia

Hurriyet Daily News, 25.12.2015



A number of Turkish banks came under cyberattack as access to digital banking services were restricted amid an ongoing diplomatic crisis with Russia and a declaration of cyber war by the hacking collective Anonymous.

The cyberattack against Turkey spilled over to the banking sector, inhibiting access to online banking services of some Turkish banks. While the attacks created worries over safety breaches, high-level sources from the banking sector told the hackers did not access the banks' systems but created traffic to prevent customers from accessing their accounts online.

"They are not entering the bank's system. They just create traffic prohibiting access. To put it simply, they come to the door but do not enter, hence, there are no safety risks," one senior-level banker said.

"The cyberattacks are not about money but rather an intervention to draw attention," another source said, asserting the attacks are a form of protest. Meanwhile, Turkey's leading internet service provider, Türk Telekom, told Hürriyet that although it has been under continuous cyberattacks, necessary precautions had been taken to rebuff the attacks.

"We are expecting another big attack from both within and outside Turkey," the company said, adding that necessary measures had been taken. The daily volume of digital banking services is estimated at around 1.5 to 2 billion Turkish Liras, 85 percent of which originates from mobile devices.

The recent attacks come after a feud with Russia over Turkey's downing of a Russian fighter jet on Nov. 24, allegedly for violating Turkish airspace. Pilot Oleg Peshkov was killed in the attack. Russia has since started a war of words in addition to a number of economic sanctions targeting Turkey.

Meanwhile, Anonymous has claimed a number of attacks against Turkey over the past two weeks, accusing Turkey of supporting the Islamic State of Iraq and the Levant (ISIL) by allegedly buying oil and hospitalizing their fighters. Anonymous also threatened to launch more cyberattacks unless Turkey ceases its purported support for the group.

Greek parliament backs recognizing Palestine

Hurriyet Daily News, 22.12.2015



Greece's parliament approved a resolution calling on the government to recognize the state of Palestine, in a special session attended by the visiting Palestinian president.

All Greece's parliamentary parties voted in favor of the move, AFP quoted the assembly's speaker Nikos Voutsis as saying. It urges the Greek government to "promote appropriate procedures for the recognition of a Palestinian state and every diplomatic effort for the resumption of discussions for peace" in the region, Voutsis added. Palestinian president Abbas said he was "proud to be in the Greek parliament," calling it "the sanctuary of democracy."

He thanked the deputies for a vote he said would "contribute to the creation of a Palestinian state." The Greek parliament's deputy speaker Tassos Kourakis also called the resolution "an important step towards the recognition of a Palestinian state."

Prime Minister Alexis Tsipras announced after talks with Abbas that Greece would no longer refer on official documents to the Palestinian Authority, but rather to Palestine. Abbas' visit to Greece signals the "strengthening" of traditionally historic ties between the two, the premier said.

"Greece was committed to the installation of a viable, independent and sovereign Palestinian state based on borders set in 1967 and with East Jerusalem as its capital, a country that will coexist peacefully with Israel," Tsipras said. In Ramallah, headquarters of the Palestinian Authority, Saeb Erakat, the number two of the Palestine Liberation Organization (PLO), welcomed the resolution.

"We truly hope that the Greek government will follow through with the parliament's decision and officially recognize a state of Palestine with the 1967 borders and East Jerusalem as its capital," he said. Athens has forged closer ties with Israel in recent years, especially in the field of energy, while retaining its traditionally good relations with the Palestinians.

Tsipras travelled to Israel when he met both Abbas and Israeli Prime Minister Benjamin Netanyahu. Greece will "judge the right time" for recognizing a state of Palestine, taking into account its "brotherly relations with the Arab people and ties of cooperation with Israel," Tsipras added.

Palestine's flag was hoisted for the first time at U.N. headquarters in New York on Sept. 30 in a symbolic gesture. Abbas then took to the podium to call for universal recognition of Palestine.

Pope Francis awarded prestigious German European unity prize

The AP, 23.12.2015



Pope Francis has been named the winner of the International Charlemagne Prize, awarded annually by the German city of Aachen for contributions to European unity.

The prize committee said that the pontiff had sent “a message of hope and encouragement” at a time in which “many citizens in Europe are seeking orientation,” news agency Deutsche Presse Agentur reported. The prize is usually awarded in Aachen but the 2016 prize will be handed over in Rome. There was no immediate word on the date. Previous winners include former U.S. President Clinton and St. John Paul II, who received a special edition in 2004.

The Holy Roman emperor Charlemagne once ruled a large swath of Western Europe from Aachen, near the Belgian border. Pope Francis was among the candidates of the Nobel Peace Prize in 2015 for his assistance in the United States-Cuban thaw, which he lost against the Tunisian National Dialogue Quartet for its decisive contribution to the building of a pluralistic democracy in Tunisia in the wake of the Jasmine Revolution of 2011.

Other candidates for the Nobel Prize included German Chancellor Angela Merkel for admitting large numbers of refugees and migrants to Germany in the European migrant crisis, and U.S. and Iranian foreign ministers John Kerry and Mohammad Javad Zarif, respectively, for the Iran nuclear deal.

Spain votes in landmark polls that could end two-party grip on politics

AFP, 20.12.2015



Spanish voters went to the polls in what is expected to be one of the most closely-fought contests in modern history as two dynamic new parties take on the country's long-established political giants.

The general election caps off a year of electoral change in southern Europe after far-left party Syriza was swept to power in Greece and a coalition of leftists parties in Portugal pooled their votes to unseat the conservative government after an inconclusive election. Spain has been dominated for more than three decades by the Popular Party and the opposition Socialists, alternated running the government.

But this time around many voters are expected to cast their ballots for two upstart parties vying for change -- the centrist Ciudadanos and the anti-austerity Podemos, a close ally of Greece's Syriza.

"We are on the threshold of a new democratic transition, a new era," said Ciudadanos leader Albert Rivera after he cast his ballot in L'Hospitalet de Llobregat in the northeastern region of Catalonia. Polls predict Prime Minister Mariano Rajoy's Popular Party will win the largest share of the vote but not enough to retain its absolute majority in parliament.

Such a result would force it to form an uneasy alliance with another political grouping or attempt to rule as a minority government. And all bets are off regarding who will come second in the legislative elections, as the Socialists could end up neck-and-neck with Ciudadanos and Podemos, which would give these new parties unprecedented influence on the political scene.

"The fact that a tectonic shift is about to shake up the Spanish political system is testified by the expected 80 percent turnout... compared to 69 percent in the 2011 election," said analysts at UniCredit, calling the Dec. 20 polls "historic."

Sky-high unemployment, inequality, corruption and an ever-rising separatist drive in the northeastern region of Catalonia are just some of the issues at stake in a country deeply scarred by a financial crisis. "The Popular Party and the Socialists became complacent and they have forgotten about us. We have to give the new parties a chance," said truck driver Francisco Perez, 53, after voting for Podemos in L'Hospitalet de Llobregat.

Ana Salazar, head of research and strategy at consultants Red Lines, says the shake-up in Spanish politics started when Podemos emerged in 2014 on the back of an "Indignados" movement fed up with austerity-triggered inequality and corruption. Then came Ciudadanos, which was formed in 2006 in Catalonia but only truly emerged nationwide.

“Now we have... the old versus the new,” said Salazar. Rajoy, austere, grey-bearded 60-year-old premier, has positioned himself as a safe pair of hands who dragged the country away from economic collapse when he took power in 2011 and put it on the path of recovery.

After years of recession, the government predicts the economy will grow 3.3 percent this year -- to the envy of many of its European neighbours. But unemployment remains stubbornly high at more than 21 percent, and Rajoy’s rivals point to glaring inequalities brought on by his drastic spending cuts, tax rises and health reforms.

Socialist (PSOE) chief Pedro Sanchez, the 43-year-old economist who only last year took over a party still reeling from its 2011 defeat, has promised to reinstate the rights of workers and immigrants he says have been trampled on. Ciudadanos chief Rivera, who at 36 is the youngest of the four main party leaders, wants “reasonable change” and pledges to do away with precarity in the workplace. But the question mark of the elections remains Podemos, whose pony-tailed, 37-year-old leader Pablo Iglesias is now a household name.

Seen as running out of steam just months ago, the party appears to be gaining ground again thanks to Iglesias’s down-to-earth appeal and his move away from the more radical, far-left ideals Podemos once espoused. So much so that polls suggest Podemos may even replace the long-standing Socialists as the country’s main left-wing party. “These years were horrible but they had one good outcome: that lots of people became interested in politics,” said Jonathan Pozo, 27, after voting for Podemos in L’Hospitalet de Llobregat.

Trump laps Republican field in latest 2016 poll

AFP, 20.12.2015



Hillary Clinton and other Democratic presidential hopefuls used Donald Trump as a political bogeyman to highlight their own calls to defeat jihadist extremists without the bigotry and bluster brandished by their top Republican rival.

Former secretary of state Clinton, Senator Bernie Sanders and Maryland ex-governor Martin O’Malley each hit on the need to boost national security, raise the minimum wage and protect rights of women, minorities and the disadvantaged as they faced off in New Hampshire. But they had heated exchanges on the economy, guns, tackling the terrorist threat, and the role of the United States abroad.

With just over six weeks before the first votes are cast in the nomination race, on Feb. 1 in Iowa, Sanders and O’Malley are running out of time to blunt the momentum of the former top U.S. diplomat, who is 25 points ahead of rival Sanders in national polling compiled by RealClearPolitics.com. O’Malley trails them both badly.



It was their party's third debate of the primary election season - the last of 2015 and their first since the attacks in San Bernardino, California, where a radicalized married couple killed 14 people. But the candidates also took turns hitting the Trump punching bag, as they hurled outrage about the Republican's fear-mongering and recent controversial comments about immigrants - in particular, his call for a ban on Muslims entering the United States.

Americans, Clinton said, "need to make sure that the really discriminatory messages that Trump is sending around the world don't fall on receptive ears." "He is becoming ISIS's best recruiter," Clinton said of the Islamic State of Iraq and the Levant (ISIL), claiming that jihadists are "showing videos of Donald Trump insulting Islam and Muslims in order to recruit more radical jihadists."

Trump fired back on that point, tweeting overnight that Clinton had "lied." The New York Times was among several media outlets that found no proof to back up Clinton's claim. O'Malley also offered a harsh rebuke to the "political danger" wielded by Trump and other "unscrupulous leaders (who) try to turn us upon each other."

The country will rise to the challenge of the ISIL extremists, but only if Americans never surrender their values "to the fascist pleas of billionaires with big mouths. We are a better country than this." Trump's apparent popularity has only grown in recent weeks since his most contentious remarks. The political neophyte tops most Republican national polls and is putting establishment candidates like Jeb Bush in knots.

While the Democrats united against Trump, Sanders clashed at length with Clinton over how to tackle extremism, opposing her call for a no-fly zone over Syria and for focusing on ousting that country's President Bashar al-Assad.

Sanders, who is more comfortable talking about economic inequality and financial abuse, topics that are the cornerstones of his campaign, was deeply skeptical. "The United States at the same time cannot successfully fight Assad and ISIS," he said. "ISIS now is the major priority. Let's get rid of Assad later."

O'Malley pointedly looked back at how several U.S.-backed regime changes fomented chaos. He singled out Libya in 2011, when Clinton was the top U.S. diplomat and supported ousting Moamer Kadhafi, only to see the country descend into chaos, with large swaths now susceptible to becoming jihadist safe havens.

"We probably let our lust for regime toppling get ahead of the practical considerations for stability in that region," O'Malley said. Sanders piled on, reminding viewers of Clinton's 2002 Senate vote authorizing president George W. Bush's use of military force in Iraq.

Clinton insisted she was not ready to send U.S. boots into Syria and Iraq, saying she had a strategy to "combat and defeat ISIS without getting us involved in another ground war." The debate unfolded amid a minor scandal between the Clinton and Sanders campaigns over an apparent data breach when at least one Sanders staffer took advantage of a computer glitch to peek at Clinton voter information. But on stage, Sanders apologized to Clinton, saying "this is not the type of campaign that we run," and the issue quickly deflated. Clinton wrapped up the event with a nod to the flick: "Thank you, good night, and may the Force be with you."



Announcements & Reports

► *Matching Research and Innovation Policies in EU Countries*

Source : Bruegel
Weblink : <http://bruegel.org/2015/12/matching-research-and-innovation-policies-in-eu-countries/>

► *Global Economic Governance: Italy's Role in the G7 and G20*

Source : Bruegel
Weblink : <http://bruegel.org/2015/12/global-economic-governance-italys-role-in-the-g7-and-g20/>

► *Afghanistan a Year After "Transition": Losing the War at Every Level*

Source : CSIS
Weblink : <http://csis.org/publication/afghanistan-year-after-transition-losing-war-every-level>

► *CIO-Enabled Innovation Playbook: Lessons For The Public Sector*

Source : Brookings
Weblink : <http://www.brookings.edu/blogs/techtank/posts/2015/12/23-innovation-playbook-public-sector-desouza>

Upcoming Events

► *Stability and Human Security in Afghanistan in 2016*

Date : 04 January 2015
Place : Washington DC, The US
Website : <http://www.brookings.edu/events/2016/01/04-stability-and-security-in-afghanistan>

► *The New Silk Road: What is in it For Europe*

Date : 14 January 2015
Place : Shanghai - China
Website : <http://bruegel.org/events/the-new-silk-road-what-is-in-it-for-europe/>



► *Competitive Gains in the Economic and Monetary Union*

Date : 18 January 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 : 24 January 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 : 26 January 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 : 27 January 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 January 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 : 28 January 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 : 29 January 2015
Place : Berlin - Germany
Website : <http://www.bruegel.org/nc/events/event-detail/event/541-the-future-of-the-welfare-state/>