

## Turkey's 2014 growth up to 3 percent, minister foresees

Reuters, 26.03.2015



Nihat Zeybekci has said Turkish economic growth in the first quarter will not be negative, nor at its desired level, with an expected growth of 2.8 to 3 percent in 2014.

Zeybekci also said he expected a recovery in economic growth beginning in the second quarter. "We cannot say 2014 ended in line with our foreign trade and growth targets, but we expect to see the announced growth rate for 2014 at 2.8-3 percent despite all fall backs," he said. In the medium-term economic program, the 2014 growth target had been set at 4 percent, but was later changed to 3.3 percent due to global economic uncertainties.

The 2014 growth rates will be announced on March 31. According to the latest Reuters poll taken of 24 economists, growth was expected to remain around 2 percent for the last quarter of 2014 and 2.7 percent for the whole year. Zeybekci noted GDP growth was mainly exports-based in 2014. "If there had been any positive contribution to the export economy, the GDP would have grown at around zero. We didn't see any contributions to domestic market growth," he said, adding the government expected a revival in the domestic market in 2015.

"We also expect a rise in exports, thus contributing positively to growth rates by the end of March. We won't expect the growth rates to be at desired levels for the first quarter of the year, but we also will not be negative in the first quarter of 2015. We expect a recovery in the GDP growth in the coming months," he said. "In the expected growth rates, the planned measures of the government and a recovery in the employment rate will play a great role. The recent slow-down in the Turkish economy will end by the second half of 2015," he said. The government also announced high priority economic programs, including around 3,000 action plans for the structural evolution of the economy. The government aims to increase the GDP to \$1.3 trillion and decrease the current account gap-to-GDP to 5.2 percent and unemployment rate to 7 percent by the end of 2018.

## Turkey urges G-20 to fight against poverty

Anadolu Agency, 24.03.2015



Turkish Labor and Social Security Minister Faruk Çelik has called on G-20 states to turn their words into actions and work to reduce poverty globally.

“The G-20 platform has adopted many decisions and action plans. We believe that it is time for G-20 states to translate its words into actions,” Çelik said, referring to the Turkish G-20 Presidency in 2015, at a high-level session of the International Labor Organization (ILO) governing body meeting in Geneva. Turkey has been the 2015 president of the G-20 since it took over the post from Australia on Dec. 1, 2014.

“G-20 countries, representing two-thirds of the world population, 85 percent of the global economy, set one of the best examples of global solidarity. The fact is the wealth of the 85 richest people equals the total income of 3.5 billion, in other words, half of the total global population. Unfortunately the rich become richer while the poor became poorer,” he said. Following the conference, ILO Director General Guy Ryder and minister Çelik exchanged letters concerning the Turkish parliament’s recent ratification of ILO conventions. The Turkish Parliament approved the ILO convention on safety and health, following debates after mining disasters in Soma and Ermenek left 319 workers dead.

## Turkey’s foreign investment rises to \$1.8 billion in January

Anadolu Agency, 24.03.2015



Turkey received foreign direct investment worth \$1.8 billion in January, Turkey’s Economy Ministry said. The energy sector was the largest recipient of international capital during the month with \$735 million.

Foreign investment to the county increased by 44 percent in the first month of 2015 compared with the same month in the previous year, said the statement. A total of 25 percent of international investment was from EU countries, a decrease of 76 percent year-on-year. More than \$420 million in investments came from Asian countries, such as China and Malaysia.

There were 175 new, foreign-funded companies established in the first month of the year, down from 410 in the same month of 2014. A total of 41,699 companies were operating in Turkey with international capital as of January 2015, with 24,612 of them operating in Turkey's largest province, Istanbul, the ministry said. Ankara hosts 2,514 companies, while the country's largest sea resort of Antalya is home to 4,444 foreign companies. The report also said that of the total number of foreign-funded companies in Turkey, 6,054 were German-funded and 2,774 were financed by the United Kingdom. Turkey received a total of \$12.4 billion in foreign direct investment in 2014, a decrease of 1.7 percent compared with \$12.7 billion in 2013.

## Turkey, Poland hope to double trade volume to \$6 billion

AFP, 25.03.2015



Turkey and Poland have the potential to double bilateral trade to \$6 billion, Mevlut Çavuşoğlu said. "Poland is a country with which our bilateral trade volume has increased without a break," Çavuşoğlu said.

He added that Turkey wanted an increase in the volume of mutual investments. "Turkish firms in Poland are at present carrying out projects worth approximately \$1.3 billion," Çavuşoğlu said. Schetyna, who is on an official visit to Turkey between March 24 and 26, said Turkey and Poland celebrated their 600th anniversary of diplomatic relations in 2014.

"Apart from the political field, our bilateral ties in the economy and local administration sectors have also continued at a very good level," he said. Schetyna also presented an order of merit to Turkish Ambassador to Poland Yusuf Ziya Özcan for his contributions to Poland-Turkey relations.

## House sales increase upon lower loan rates

Hurriyet Daily News, 24.05.2015



Property sales increased by 15 percent from the same month of the previous year with the help of a decrease in the interest rates on housing loans, said TÜİK.

The surge came after a drop of 1.7 percent in January. A total of 9021 houses were sold in February, pushing the number of houses sold in the first two months of this year to 181,188, according to the TÜİK data. “The lower interest rates in housing loans at around 0.85-0.9 have created a positive mood in the sector... There was an expectation among potential house buyer to see more cuts in rates last year and they preferred to delay their buying.

Such expectations have been much weaker as of now and we see an increase in housing sales,” TSKB Real Estate Evaluation Manager Makbule Yönel Maya told. “We, however, now see another delaying tendency in consumers due to the severe fluctuations in the forex markets. Consumers want to retain their cash. We therefore expect a slow-down in the house sales in the coming months, until the summer months,” she said. Mortgaged house sales, however, rose to 36,952 units, having a 38.9 percent share in total house sales in Turkey in February and a 53.6 percent of increase from the same month of the previous year.

## Turkey to offer direct incentives for R&D operations

Anadolu Agency, 26.03.2015



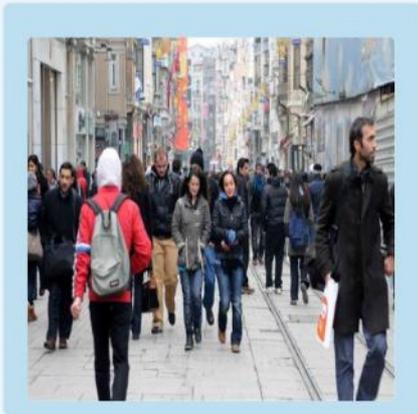
Turkey’s volume of direct incentives for research and development projects will be 1.5 billion Turkish Liras in 2015, Fikri Işık said.

In a speech during the inauguration ceremony of Germany-based MAN’s new bus production plant in Ankara, Işık said the aim is to transform Turkey into a production and R&D hub. “We are aiming to increase R&D projects in Turkey,” Işık said. “Our hope is that other companies, like MAN, develop new products in their R & D facilities in Turkey.” “Hopefully, thanks to our qualified human capital, Turkey will offset its lost years,” he added.

Işık also said cheap labor costs and land allocation are not the only incentives which encourage investors, adding the quality of Turkey's human capital was the main driving force behind MAN's decision. Işık added the automobile industry in Turkey has boomed since 2002, thanks to political stability and an environment of confidence, reaching an annual 1.22 million units as of 2014. "Turkey ranks 17th in the global automobile production [market] according to 2014 figures," Işık said. The factory in Ankara was the first facility MAN established outside of Germany. It has a capacity of producing 2,000 units annually.

## Turkish consumer confidence falls to 6-year low in March

Doğan News Agency, 23.03.2015



The Turkish consumer confidence index fell to a six-year low in March, with a sharp fall on the probability of savings and the expectation of increased unemployment.

The consumer confidence index calculated from the results of the consumer tendency survey carried out in cooperation with the TÜİK and the Central Bank fell to 64.4 in March, a decrease of 5.4 percent from the previous month. "The growth prospects have been deteriorating... Specifically, the deterioration in consumer confidence is at the 2009 crisis levels. We expect weak figures in the domestic demand," Garanti Investment Chief Economist Gizem Öztok told.

Annual growth in Turkey's GDP dropped to 1.7 percent during the third quarter of last year, compared with 4.1 percent in 2013. The slowdown was driven by weaker domestic demand and analysts' future growth expectations continue to be low. Deputy Prime Minister Ali Babacan said on March 13 that Turkey's 2014 growth rates would be announced at below 3 percent. The official growth numbers for the last year will be announced soon. "We need to set higher growth targets, but we can only achieve this by making structural reforms, not by means of temporary financial and monetary policies," he said.

The general economic situation expectation index which was 90.87 in February fell by 5 percent to 86.3 in March. This decrease showed the number of consumers who expected a better general economic situation in the next 12 months decreased compared to the previous month. The percentage of people who expected unemployment to rise over the next year reached the highest level since March 2009, while the prospect of people making savings also worsened. The probability of saving index fell by 17.5 percent to 20.61 in March, from 25 in February.

The consumer confidence index calculated from the survey results is evaluated within the range of 0-200. It indicates an optimistic outlook when the index is above 100, but it indicates a pessimistic outlook when it is below 100. The financial situation expectation of household index also fell by 1.6 percent, to 85.37 in March, from the previous month. This fall showed the decrease in the ratio of better financial situation expectations of households in the next 12-month period, according to the official data. In the monthly consumer tendency survey, consumers' assessments on the current situation and their expectations for their personal financial standing and general economic situation are evaluated, while their expenditure and saving tendencies for the near future are measured.

## Fitch to 'closely follow' post-election period

Anadolu Agency, 24.03.2015



Fitch Ratings Senior Director Paul Rawkins said the rating agency will “closely follow” the steps of the ruling AKP after the upcoming general election, particularly whether the presidential system is still on the cards, when making assessments on the Turkish economy.

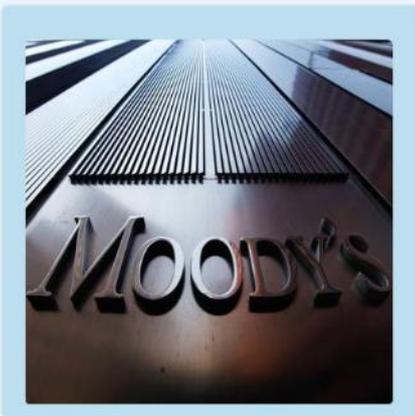
“There is a risk of local political tensions affecting economic policies in Turkey. Most concerns are about the post-election period. We’ll be closely following what the AKP does and whether there will be a change to a presidential system,” Rawkins said. Turkey will hold parliamentary elections on June 7.

Fitch affirmed Turkey’s long-term credit rating at BBB leaving the outlook stable, and Rawkins said the current global economic environment is favorable to Turkey. Turkey is expected to grow by 3.2 percent this year, he predicted, adding that there was a “base effect” on the growth expectation for 2015 as last year’s growth turned out to be lower than predicted. “As we upgraded Turkey’s rating in 2014, we made several projections about the economy. We can say Turkey has been on the right track to a large extent when we compare what we said and what the country has achieved since then,” he said. “The banking sector is still robust. And Turkey’s growth outlook is still better than some other big emerging markets,” he added.

As Turkey is dependent on external capital inflows to support growth, lower oil prices are also a positive, Rawkins said. “In this sense, the current external environment is very favorable as it is dominated by lower oil prices and ample global liquidity,” he said, adding that he believed that Turkish companies and institutions would retain market access at favorable rates with no indication of any sudden stop of capital inflow. “Additionally, it is important for Turkey to maintain confidence for the continuation of the inflow of foreign funds to the country and the keeping the current account gap at lower levels,” Rawkins said. The recent volatility of the Turkish Lira did not figure significantly in Fitch’s analysis. “Turkey is already a volatile place,” Rawkins stated, adding that the agency “looks at policy, not exchange rates.”

# Moody's: US dollar stems external pressure over several countries, including Turkey

Hurriyet Daily News, 23.03.2015



The stronger U.S. dollar has stemmed external pressures in some countries from signs of weaker currencies.

Moody's said external pressures in some countries are translating to capital outflows or significantly lower inflows as the U.S. dollar hurts countries with large external funding needs. It said that countries with large account deficits such as Turkey is more susceptible to external pressures due to difficulty of financing their deficits. Marie Diron said that the expected hike in the benchmark U.S. federal funds rate and subdued growth prospects in other countries are making investments in these markets less attractive.

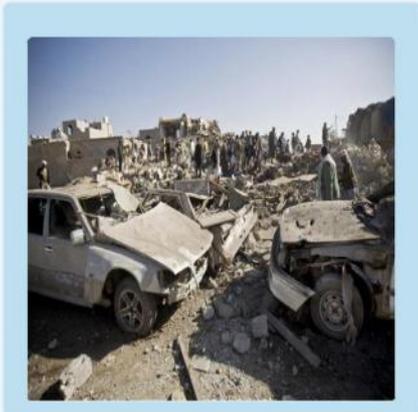
The report said countries that have large pending external debt payments such as Turkey, Malaysia and Chile currencies have depreciated, making it more expensive for companies to service foreign currency debt. "It could also crimp the willingness of foreign creditors to refinance local currency external debt," it added. Meanwhile, Moody's report said commodity exporters such as Malaysia, Chile, Colombia and Peru have also faced external pressures as falling commodity prices weigh on export revenues, lowering current account surpluses as well as increasing deficits.

Turkey's currency have lost around 10 percent value since the beginning of the year, mainly upon the expected rate hike of the Fed and domestic discussions over the rate hike decisions of the Turkish Central Bank. Moody's noted that central banks of Brazil, Colombia and Mexico have preserved foreign exchange rates, allowing the value of their respective currencies to weaken. Nevertheless, Bank Negara Malaysia and Chile's central bank has used their reserves to stop larger depreciation of its respective currency. "The erosion of reserves buffers is credit negative for sovereigns, most particularly in countries where reserves are relatively low in relation to forthcoming external debt repayments." Diron said.

However, its report pointed out that India and Indonesia's foreign exchange reserves have risen and their nominal effective exchange rates have not weakened significantly compared to other countries. "India and Indonesia's current account balances have improved since 2013 and capital flows have accelerated in anticipation of policy reforms following political transitions in 2014, bucking the general emerging market trend of lower capital inflows," it added.

# Saudi Arabia launches strikes on Yemen rebels

AFP, 26.03.2015



Saudi warplanes bombed Huthi rebels in Yemen, launching a military intervention by a 10-nation coalition to prevent the fall of embattled President Abedrabbo Mansour Hadi.

The rebels and their allies within the armed forces had been closing in on main southern city Aden where Hadi has been holed up since fleeing the rebel-controlled capital Sanaa last month. The advance had raised fears in Saudi Arabia that the Shiite minority rebels would seize control of the whole of its Sunni-majority neighbour and take it into the orbit of regional rival Iran. The Saudi ambassador to the United States said that the operation had begun with air strikes.

Huge explosions were heard in Sanaa as warplanes pounded the air base adjacent to the international airport and other locations, an AFP correspondent reported. At least 13 civilians were killed when seven homes near the air base were hit, a civil defence source said. In the south, residents reported hearing explosions at the huge Al-Anad air base, north of Aden, which was seized by anti-government forces. Saudi ambassador Adel al-Jubeir said that the kingdom had assembled a coalition of more than 10 countries, including five Gulf monarchies, for the military operation to defend Hadi's government. Washington said President Barack Obama had authorised the "provision of logistical and intelligence support" for the campaign.

Qatar, Kuwait, Bahrain and the UAE along with Saudi Arabia said they "have decided to answer the call of President Hadi to protect Yemen and his people from the aggression of the (Shiite) Huthi militia". Jubeir told reporters in Washington that the operation "is to defend and support the legitimate government of Yemen and prevent the radical Huthi movement from taking over the country". He said that for the moment the action was confined to air strikes on various targets around Yemen, but that other military assets were being mobilised and that the coalition "would do whatever it takes". "The Royal Saudi Air Force has taken out the Huthi air defences and destroyed numerous Huthi fighter planes," a Saudi adviser said, adding that air force "has pretty much secured most of the Yemeni air space and is now consolidating a wide no-fly zone."

The official Saudi Press Agency said Egypt, Pakistan, Jordan, Morocco and Sudan had all "expressed desire to participate in the operation". Both Egypt and Jordan confirmed that they were joining the Saudi-led operation. Egypt said it stood ready to provide ground troops if necessary. "Coordination is under way with Saudi Arabia and the Gulf states to prepare for participation by the Egyptian air force and Egyptian navy, and a ground force if the situation warrants, as part of the coalition action," the Egyptian foreign ministry said in a statement. Iran condemns Saudi strikes in Yemen as 'dangerous step'



Iran condemned regional rival Saudi Arabia on Thursday for launching air strikes on Huthi rebels in Yemen, saying it was “a dangerous step” that violated “international responsibilities and national sovereignty.” Foreign ministry spokeswoman Marzieh Afkham said that the military action would “further complicate the situation, spread the crisis and remove opportunities for a peaceful resolution of Yemen’s internal differences.” “This aggression will have no result except to spread terrorism and extremism, and increase insecurity throughout the region,” she said in a statement, calling for an immediate halt to the air strikes.

Military sources said the raids had hit rebel positions at various locations in Sanaa, including at al-Daylami airbase and the adjacent international airport in north Sanaa, as well as the presidential palace complex seized by the rebels in January. The rebels’ television station Al-Massira aired an urgent call for medics in Sanaa to head to hospitals. The Saudi adviser said his country’s defence minister warned the son of former president Ali Abdullah Saleh, “who is commanding the attack on Aden that his forces face ‘obliteration’ if they continue their push toward Aden.” Saleh, who resigned in 2012 following a year of nationwide protests, is accused of allying with the rebels, relying on the loyalty of many army units that he built during his three-decade rule.

Acting foreign minister Riyadh Yassin had warned in Egypt that the fall of the second city Aden would mean the “start of civil war” as he drummed up Arab military support for Hadi. His comments came Wednesday as army units switched allegiance to the rebels and seized Aden’s international airport. The airport was back in the hands of militia loyal to Hadi on Thursday morning after those troops pulled out. Aides to Hadi said that the Western-backed president had been taken to a safe haven “within Aden” after a fresh air strike on the presidential palace by his opponents. Washington said it had been in touch with Hadi and that he was no longer at his residence, but it was unable to say where he was.

Yemen has been gripped by growing turmoil since the Shiite Huthi rebels launched a power takeover in Sanaa in February. The strife has raised fears Yemen could be torn apart by a proxy war between Shiite Iran, accused of backing the rebels, and Sunni-ruled Saudi Arabia, which supports Hadi. The escalating turmoil in the country -- which borders Saudi Arabia and lies close to key shipping routes -- has pushed up world oil prices on fears it could threaten Middle Eastern petroleum producers. Hadi appealed to the UN Security Council on Tuesday to “shoulder its responsibilities... to safeguard Yemen from sliding into more chaos and destruction.” Dozens of people have been killed as the Huthis backed by troops allied to former strongman Saleh, have clashed with pro-Hadi forces as they pushed southwards. The Huthis said they had captured the defence minister in their push southwards deep into Lahj province, adjacent to Aden. General Mahmud al-Subaihi, who escaped house arrest in Sanaa this month, had been seen as a vital ally of Hadi in charge of organising Aden’s defence lines. Yemen has allowed Washington to wage a longstanding drone war against Al-Qaeda in the country.

## Foreign Minister: Iran to insist all sanctions lifted in any nuclear deal

Reuters, 25.03.2015



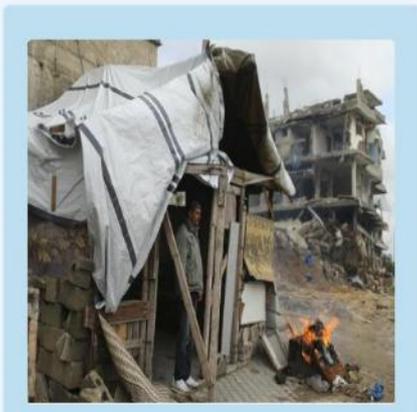
Iran will insist that all sanctions against it are lifted as a condition for a nuclear deal, the foreign minister said showing no sign of compromise on a major sticking point in its talks with world powers set to resume this week.

“This is the position that the government has insisted on from the start,” Foreign Minister Mohammad Javad Zarif was quoted by the official IRNA news agency as saying. The United Nations, United States and European Union have imposed a wide array of sanctions on Iran to try to curtail its nuclear programme as they fear Tehran wants to develop an atomic weapon. Iran insists its aims are peaceful.

Supreme Leader Ayatollah Ali Khamenei, who has the last word on all matters of state in the Islamic Republic, said in a speech last week that the immediate lifting of sanctions must be a part of any nuclear deal. Western officials have consistently rejected that demand, and a senior European negotiator last week said the immediate lifting of all sanctions was “out of the question”. Officials from Iran and the P5+1 group of countries - the United States, Britain, France, Germany, Russia and China - are due to resume nuclear talks on Thursday aimed at resolving a decade-old standoff over the country’s nuclear programme.

## Amnesty: Palestinian rockets killed Gaza civilians during war

AFP, 26.03.2015



Amnesty International said Palestinian rocket fire during the 2014 summer war in Gaza had killed more civilians inside the Gaza Strip than inside Israel. Such deadly attacks on civilians were against international law and constituted “a war crime,” it said.

It urged Palestinian armed groups to end all direct attacks on Israeli civilians and ensure everything was done to also protect Palestinian civilians inside Gaza from the effects of those attacks. The 50-day war claimed the lives of some 2,200 people in Gaza, most of them civilians, and 73 on the Israeli side, most of them soldiers.

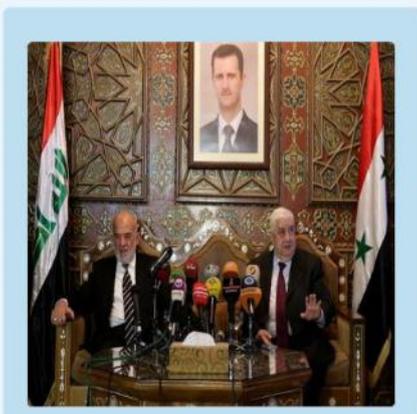
The report said rocket attacks had killed six civilians inside Israel, including a child, but that other rockets aimed at the Jewish state had fallen short inside Gaza, killing at least 13 civilians, 11 of them children. It referred to one particular incident on July 28 in which 13 people were killed in deadly blast inside the beachside Shati refugee camp in Gaza City. At the time, Palestinian witnesses blamed the attack on an Israeli F-16 warplane, but the army denied firing on the camp, accusing militants of misfiring their own rockets. “In the deadliest incident believed to have been caused by a Palestinian armed group during the conflict, 13 Palestinian civilians -- 11 of them children -- were killed when a projectile exploded next to a supermarket in the crowded al-Shati refugee camp,” the report said.

Contrary to Palestinian claims that Israel was responsible, “an independent munitions expert who examined the available evidence on behalf of Amnesty International concluded that the projectile used in the attack was a Palestinian rocket,” it said. Figures released by the Israeli army just days after the war ended on August 26 showed that Gaza militants fired 4,591 projectiles at Israel. Of that number, 3,659 struck Israeli territory and 735 were intercepted by the Iron Dome air defence system, leaving another 197 which fell short and landed inside the coastal enclave.

Militant groups used unguided projectiles which were “inherently indiscriminate,” it said: “Using such weapons is prohibited under international law and their use constitutes a war crime.” “In launching these attacks, they displayed a flagrant disregard for international humanitarian law and for the consequences of their violations on civilians in both Israel and the Gaza Strip,” said Philip Luther, director of the Middle East and North Africa programme at Amnesty International. He said Palestinian armed groups “must end all direct attacks on civilians” and take all feasible precautions “to protect civilians in the Gaza Strip from the effects of such attacks” including storing weapons or letting militants operate “within or near densely populated areas.”

## Syria, Iraq discuss tackling militants, urge cooperation

Reuters, 24.03.2015



The foreign ministers of Syria and Iraq met to discuss ways to tackle militant groups and Syria said it hoped Baghdad would help “break the siege” against it.

The Shi’ite government in Baghdad, together with Iran and the Lebanese group Hezbollah, has been an important ally for President Bashar al-Assad. Shi’ite Iraqi militias have fought on Assad’s side against the insurgency spearheaded by Sunni Islamists. Iraqi armed forces are also the main partner on the ground for a U.S.-led coalition bombing Islamic State militants in Iraq, but Washington and its Western allies have dismissed the idea of cooperating directly with Syria.

Tuesday's discussions "focused on the fight against terrorism and common dangers that threaten our countries," Syrian state television said, citing a joint news conference by the foreign ministers at Damascus airport. It did not specify which groups the discussions were referring to. Iraqi Foreign Minister Ibrahim al-Jaafari, who also met Assad, is one of the most senior foreign officials to visit Syria recently. His country has acted as a go-between for information about the U.S.-led strikes against Islamic State in both countries. "I have great confidence that Dr Ibrahim and our brotherly leaders in Iraq will not spare any effort to break the siege which was imposed upon Syria," Syrian Foreign Minister Walid al-Moualem said, appearing to refer to his country's international isolation.

Jaafari's visit comes ahead of an Arab League meeting in Egypt this weekend. Syria's seat has been vacant since its membership was suspended in November 2011 after the government's crackdown on protests. In September Iraq's national security adviser briefed Assad on efforts to counter Islamic State, in the first such meeting since the United States launched air strikes on the group, which holds territory in both Iraq and Syria. Assad said last month that third parties including Iraq were conveying information to Damascus about the U.S.-led campaign of air strikes against Islamic State in Syria, where the conflict has now entered its fifth year.

U.S. Secretary of State John Kerry said earlier this month that his country would have to negotiate with Assad for a political transition in Syria and was exploring ways with other countries to pressure him into agreeing to talks. But the State Department later edged away from the comments, saying that Washington would never negotiate with Assad.

## Is Russia back in the game?

CNBC, 27.03.2015



With the ruble surging to new 2015 highs, a better-than-expected earnings report and a brief rally in the price of oil, analysts have been contemplating whether the Russian economy has turned a corner.

Benoit Anne said he was bullish on the Russian currency which gained around 1.7 percent against the dollar before easing back lower. "The ruble, I really like it. It's actually trading on its own planet which, by the way, is a good thing these days," Anne told. "The short term dynamics are much better, volatility is much lower. And it's a behaved currency these days and the oil price up."

Pierre Andurand, the managing partner and chief information officer of fund management firm Andurand Capital, predicts that oil prices will rise this year and told CNBC Thursday that this would benefit a Russia which doesn't have "too much debt" and companies that are performing well. A weaker dollar and higher oil prices have been the main driver for Russian assets this week as investors focus on tensions in Yemen and how it could affect a key trade route in the region. Russia is heavily reliant on the commodity for its oil and has also been hit by Western sanctions since the annexation of Crimea a year ago.

Russian stock markets have been fallen and the ruble was one of the worst-performing currencies of 2014 despite emergency measures by the country's central bank. The currency has, nonetheless, seen a 20 percent rally from the lows seen in the depths of the crisis and the greenback was trading at 57.327 against the ruble. Meanwhile, Russian officials have previously estimated that the economy will fall into a recession during 2015. Alexei Ulyukayev, the economy minister, estimated Wednesday that the Russian economy had contracted by 1.5 percent in the first two months of the year, according to Reuters.

Research firm Dealogic said Thursday that international mergers and acquisitions (M&A) with Russian firms were at their lowest year-to-date level since 2001. Domestic M&A was also at its lowest level since the same year, it added. Aside from currency traders, contrarian investors have been speaking of the benefits of picking up cut price stocks despite the tensions in Ukraine being far from over. Dmitry Kostygin, the CEO of Russian e-commerce firm Ulmart, is naturally bullish on his own country. Ulmart has been one of the better performing companies during the geopolitical tensions and told CNBC Thursday that he was trying to snap up competitors that hadn't been as lucky.

"There are a few opportunities in Russia right now, most people are scared," he said. "Many of them (investors) see opportunities but most of them kind of miscalculate what's going on." Sberbank is Russia's largest lender in terms of assets and reported a 20 percent drop in profits for 2014. However, it managed to beat market expectations and its stock rallied on Thursday helping the MICEX to post gains before the wider market, and the "risk-off" sentiment, pulled the bourse lower. Meanwhile, Russia's five-year credit default swaps - the price it costs to insure its debt over a 5-year period - fell below 400 basis points for the first time since December 9 on Thursday, according to Reuters. "The ceasefire in Eastern Ukraine has alleviated fears of further sanctions against Russia," Simon Colvin, a research analyst at data firm Markit, said in a note.

## EU to invest 1 billion euros in Balkan infrastructure

Anadolu Agency, 26.03.2015



An EU commissioner has said the European Union is committed to investing 1 billion euros in Balkan infrastructure in the coming years, in a move aiming to link the EU-aspiring countries.

"The main building block comprises a core network linking all capitals, main economic centers and major ports," Johannes Hahn said at the Western Balkans 6 Conference held in Pristina, Kosovo. "These priority links only become part of the core network if member states are able to commit to completing all related investments and other 'soft' measures by 2030," he said.

Hahn said up to 130 million euros in Instrument for Pre-Accession Assistance (IPAA II) funds will be available for the 2015 multi-country program as a first step to move these projects forward. “I say a first step because I am strongly committed to fostering connectivity both within the region and between the European Union. We are ready to commit as much as 1 billion euros from IPA II to this end,” he said. Hahn said the EU wants to connect the Western Balkans not just through physical links such as roads and railways, but also through political and legal links. The foreign and infrastructure ministers of Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia met at the Western Balkans 6 Conference. The conference followed the framework of German chancellor Angela Merkel’s 2014 Berlin Conference, which also emphasized the EU’s commitment to the process of EU enlargement in the Balkans.

The visit by Serbian foreign and infrastructure ministers to Kosovo marks the first high-ranking visit of Serbian officials to Pristina since the 1999 Kosovo war. Although Kosovo declared independence from Serbia in 2008, Belgrade has not recognized its independence. Albanian Prime Minister Edi Rama said in a Facebook post that the “Blue Highway,” which will link the coasts of Croatia, Montenegro and Albania, will be the first “fruit” of the 2014 Berlin Conference. Countries are set to soon begin the design of the highway. Hahn said the six countries’ prime ministers are due to meet in Brussels on April 21, in a meeting where the agreement will be officially confirmed. “Finally, in August, we will use the Vienna Summit to present a list of specific investment priorities on energy and the regional transport core network,” he said. All Western Balkan countries are currently engaged in negotiations with the EU and are pursuing further integration into the 28-member union.

## In Germany’s shadow

The Economist, 26.03.2015



The timing was certainly awkward. Talks between Greece and the euro zone were on a knife-edge. Beset by rumours that Greece was running out of money, Alexis Tsipras, the prime minister, had agreed to propose reforms to unlock bail-out funds.

Insinuations that Germany’s tough line on debtor countries carries a whiff of the Third Reich have been common throughout the euro crisis, usually in Greece. But this time it was *Der Spiegel*, a respected German weekly, that made the comparison. At a press conference with Mrs Merkel, Mr Tsipras condemned the cover.

But as Greece again throws the euro zone into turmoil, Germany is facing awkward questions. During the euro crisis, power shifted from European institutions to capitals, Berlin chief among them. On the urgent question of foreign policy, French weakness and British drift have shrunk Europe’s “big three” to one-and-a-half—if you are feeling generous towards France. In contrast to the apocryphal story of Henry Kissinger wondering what number one calls to speak to Europe, Barack Obama knows exactly whom to consult on Europe’s Russia policy—and she does not sit in Brussels.

German dominance is in part a consequence of others' retreat. That may be why complaints have been muted. "If the Italians don't bring pasta and the French don't bring pâté," says a diplomat, "you can't complain about Mrs Merkel's cabbage soup." Meanwhile, outside Greece, the worst of the budget-cutting that bred European resentment of Germany is over. The recent solid economic performance of most bailed-out countries has strengthened Germans' conviction that they were right all along. That helps explain why Germans continue to crave well-defined rules in Europe. The fiscal process is established, if shaky, and at some point Germany may resume its call for greater co-ordination of economic policies, such as labour-market regulations and tax bases. Such proposals make some European countries squeal but seem eminently sensible to Germany: in the absence of political union, how else is a common currency to work?

But because the world does not always bend to its will, Germany has had to accept political compromises. It was intensely irritated when the European Commission appeared to relax its fiscal rules in January. It has had to swallow the European Central Bank's decision to begin quantitative easing. And Germany grudgingly accepted the commission's decision last month to grant France more time to reduce its budget deficit. At last seemingly serious about economic reform, the French government insisted that this was not the time to close off its fiscal space. This political argument found a surprisingly receptive ear in Berlin (which has itself broken EU deficit rules in the past). Indeed, after several rocky years Franco-German relations are warming. François Hollande was by Mrs Merkel's side as she negotiated a peace deal with Vladimir Putin in Minsk last month, and listened to Mr Tsipras's entreaties in Brussels last week. This matters to Germany; although it will act alone if necessary, it still fears the appearance of imposing its will unilaterally. During last month's jousting matches with Greece, Wolfgang Schäuble, Germany's combative finance minister, never tired of telling reporters that Germany was not alone in its tough stance.

Mrs Merkel has been well served by her adversaries. On Russia, countries like Cyprus and Italy may grumble about sanctions. But thanks to Mr Putin's alarming behaviour none has broken ranks when it matters. (This proposition will be tested in June, when all 28 EU members must agree to renew the toughest measures.) The boneheaded negotiating approach of Mr Tsipras's government has destroyed any chance of a split in the euro zone: Greece has made anti-austerity a toxic brand, at least for now. Similarly, should a re-elected David Cameron pursue his promised renegotiation of Britain's EU membership, he will find few allies if he seeks to alter the EU's basic rules.

All this suits Mrs Merkel's style. She exercises patience, waiting for Greece to see sense on economic reform and Britain to resolve its domestic problems. She took a risk in pursuing the Minsk peace deal with Russia because the situation in eastern Ukraine had become desperate. Yet she has eschewed calls from American senators to send arms, instead comparing the situation to the long wait for the Berlin Wall to come down. This appears to mean she is prepared to see the conflict "frozen". If Mr Obama was once accused of leading from behind, Mrs Merkel sometimes leads from a direction no one else can understand.

A united Europe, governed by strict fiscal rules, harmonious and at peace with its neighbours: such is the stuff of German dreams. Reality is messier, but Germany is not rigid. During the euro crisis Mrs Merkel always found the political will to keep the currency together, even if her solutions often involved sticking plasters. But the future will test Germany's priorities. Keeping Greece in the euro and Britain in the EU are important, but not at any cost. (Some officials think the euro zone will weather a Grexit without too much difficulty.) Nor will Mrs Merkel expend much political capital to save TTIP, a proposed transatlantic trade deal that many Germans distrust. But on existential matters such as saving the euro or keeping France strong enough to remain a meaningful partner, Mrs Merkel will not hesitate to exercise her power, even if it means breaking pledges or undermining rules. That would be a sign of true leadership, and Europe should welcome it.

## Nigeria army captures last stronghold of Boko Haram

Anadolu Agency, 27.03.2015



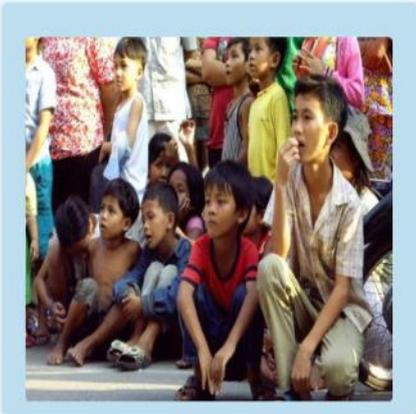
Nigerian army troops liberated Gwoza, a town the Boko Haram militant group declared as the headquarters of their Islamic caliphate in northeastern Nigeria. "Troops this morning captured Gwoza, destroying the headquarters of the terrorists' self-styled caliphate," the defense headquarters said on Twitter.

"Several terrorists died while many are captured. Mopping up of entire Gwoza and her suburbs is ongoing," it added. President Jonathan predicted that Gwoza will be recaptured from the militants. Friday's announcement seals the recapturing of most of the towns hitherto held by militants.

The army announcement also comes on the eve Nigeria's presidential and parliamentary elections. Nigeria is fighting a six-year Boko Haram insurgency that has claimed tens of thousands of lives and displaced over one million people from the northeastern region, where the militants have been the most ruthless. Last year, Boko Haram went from attacking communities and planting bombs to capturing entire towns. In mid-2014, the group declared a self-styled "Islamic caliphate" in areas seized in the northeastern Adamawa, Borno and Yobe states. Almost all areas hitherto controlled by the militants have since been liberated by the army, however, in operations that have also involved troops from neighboring Chad, Niger and Cameroon.

# Cambodia, Australia ink new refugee transfer deal

AFP, 26.03.2015



Officials from the Cambodian and Australian governments signed a second memorandum of understanding, six months after inking a refugee transfer deal.

Cambodia's Interior Minister Sar Kheng left for Australia and is due back in Phnom Penh. A statement released by Australian Immigration Minister Peter Dutton's office said the fresh deal would "further strengthen co-operation on irregular migration, people smuggling and trafficking." Australia has a hardline policy with regard to asylum seekers who arrive by boat, insisting they will never be settled in Australia.

Instead, asylum seekers and refugees who arrive by boat are immediately sent to holding camps in Papua New Guinea and the remote South Pacific island of Nauru, where refugee advocacy groups have said conditions are poor and abuses rife. Australian Foreign Minister Julie Bishop approached Cambodia last year with the suggestion that it be the settling ground for refugees on Nauru. Kheng and Dutton's predecessor, Scott Morrison, signed that deal in September 2014, with Australia vowing to give \$35 million in aid to Cambodia.

Cambodian delegations have made several trips to Nauru since the signing, but refugees there have expressed they have no intention of volunteering to go to Cambodia -- which itself has a poor track record with regard to Muslim Uighur and Vietnamese Montagnards seeking its shelter. According to Dutton's office, the new bilateral agreement cements an information-sharing framework between the two countries on matters of "transnational criminal issues." The minister said the latest move "represents the renewed determination by Australia and Cambodia to work closely to counter the growing security threat posed by transnational crime and illegal migration practices." The statement included remarks from Kheng, who said the new deal would enable both countries to combat "growing international criminal activity" and to promote the legal movement of people between countries.

## Myanmar military says taken ‘total control’ of Kokang

AFP, 25.03.2015



Myanmar’s military has announced it has taken “total control” of the northeastern Kokang region following weeks of intense fighting with ethnic rebels. The state-run Union Daily newspaper said Thursday that the military called on the rebel Myanmar Nationalities Democratic Alliance Army to lay down its arms, claiming government forces had occupied all strategic hilltop posts in the small region.

More than 200 people have died and hundreds of others been wounded since fighting broke out in Kokang, northern Shan state, when the MNDAA launched surprise attacks on Myanmar army positions.

Those figures do not include civilian casualties. Tens of thousands have fled across the border to China’s Yunnan province or escaped to other parts of Myanmar. Last week, as fighting in Kokang continued to rage, negotiators sat down in Yangon for the seventh official round of peace talks between the government and a coalition of 16 ethnic rebel groups -- which does not include the MNDAA. President Thein Sein has promised a nationwide peace deal as a cornerstone of a political reform process that began in 2011, when the ruling junta installed a new government staffed by former generals.

## US considers West Bank as occupied territory

AFP, 25.03.2015



The U.S. has considered the West Bank as “occupied territory” for a long time, the State Department said. When asked if “occupied territory” is the term to be used for the existence of Israelis in the West Bank, department spokeswoman Jen Psaki responded by saying, “It’s been a longstanding position of the United States government that these are occupied territories.”

Psaki’s comments come on the heels of remarks by White House chief of staff Denis McDonough who on Monday addressed J Street, an Israeli advocacy group that is often critical of Israeli Prime Minister Benjamin Netanyahu.



“An occupation that has lasted for almost 50 years must end, and the Palestinian people must have the right to live in and govern themselves in their own sovereign state,” he said. The comments come amid tensions over Netanyahu’s pre-election declaration that he would not allow the creation of a Palestinian state if he were re-elected.

The Israeli prime minister was harshly criticized by the Obama administration although Netanyahu later backtracked on his comments and said he still wanted “a sustainable, peaceful two-state solution.” Obama said that the U.S. will reevaluate its relations with the Israeli government regarding the Palestine conflict. “We take him at his word when he said that it (creation of a Palestinian state) wouldn’t happen during his prime ministership, and so that’s why we’ve got to evaluate what other options are available,” he said.

# Announcements & Reports

## ► *The Financial Stability Risks of Ultra-Loose Monetary Policy*

**Source** : Bruegel

**Weblink** : <http://www.bruegel.org/publications/publication-detail/publication/876-the-financial-stability-risks-of-ultra-loose-monetary-policy/>

## ► *Living (Dangerously) Without a Fiscal Union*

**Source** : Bruegel

**Weblink** : <http://www.bruegel.org/publications/publication-detail/publication/875-living-dangerously-without-a-fiscal-union/>

## ► *The Recurring Rise and Fall of Political Islam*

**Source** : CSIS

**Weblink** : <http://csis.org/publication/recurring-rise-and-fall-political-islam>

# Upcoming Events

## ► *Trade and The Digital Economy: Opportunities for U.S.-Japan Global Leadership*

**Date** : 30 March 2015

**Place** : Washington - USA

**Website** : <http://www.brookings.edu/events/2015/03/30-trade-digital-economy-opportunities-us-japan>

## ► *Changing the Odds? Achieving Stability in Afghanistan*

**Date** : 30 March 2015

**Place** : London - UK

**Website** : <http://www.chathamhouse.org/event/changing-odds-achieving-stability-afghanistan>

## ► *Policy, Power and Sectarian Identities in the MENA Region*

**Date** : 31 march 2015

**Place** : London - UK

**Website** : <http://www.chathamhouse.org/event/policy-power-and-sectarian-identities-mena-region>



► *Securing Stability in Somalia: AMISOM's Evolving Role and Regional Implications*

**Date** : 01 April 2015  
**Place** : London - UK  
**Website** : <http://www.chathamhouse.org/event/securing-stability-somalia-amisoms-evolving-role-and-regional-implications>

► *America's Asia Pivot: By Accident or by Choice?*

**Date** : 08 April 2015  
**Place** : London - UK  
**Website** : <http://www.chathamhouse.org/event/americas-asia-pivot-accident-or-choice>

► *Water Security in the Middle East*

**Date** : 14 April 2015  
**Place** : London - UK  
**Website** : <http://www.chathamhouse.org/event/water-security-middle-east>

► *The Google Antitrust Investigation and The Case for Internet Platform Regulation in Europe*

**Date** : 15 April 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/511-the-google-antitrust-investigation-and-the-case-for-internet-platform-regulation-in-europe/>

► *The Implications of Decarbonisation for Business and The Financial Sector*

**Date** : 27 April 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/515-the-implications-of-decarbonisation-for-business-and-the-financial-sector/>