

Government signals changes in Central Bank law amid rising tension

Hurriyet Daily News, 27.02.2015



Nihat Zeybekci has signaled a potential change in the law on the Turkish Central Bank, which has recently been harshly criticized due to its rate policies by several leading government figures.

“Many central banks have many responsibilities in a range of areas, from growth to employment and trade, in addition to price stability across the world. We should discuss whether these responsibilities can be given to our Central Bank as well,” Zeybekci said. He added that the Central Bank acted too fearfully in cutting interest rates, long a bugbear of the government.

According to Zeybekci, the Bank should have made two or three more cuts to rates. “I found its recent rate cuts technically adequate, but proportionally inadequate. We still have concerns over the existing rates, but we have not been understood. When discussing the Central Bank’s policies, we usually do not refer to people in duty. The existing law on the Central Bank gives the bank many authorities, but very limited responsibilities. The bank is only responsible for maintaining price stability and monetary policy, but many other things are ignored including economic growth, foreign trade, employment and the current account deficit. We need to discuss this,” he added.

The Central Bank cut the upper overnight lending rate by 50 basis points to 10.75 percent and reduced the benchmark weekly repo rate by 25 basis points to 7.5 percent, but this again failed to satisfy many in the government, who want sharper cuts. Zeybekci said it would be better if the benchmark rate was around 6 percent. “If you are paying 12-13 percent interest rate as a trader when you go to the bank, with an expected inflation of around 5 percent, this net cost of 7 percent is not tolerable,” he said. Zeybekci has been one of the biggest supporters of a sharp cut in interest rates, citing the country’s inflation target of 5 percent this year.

When the Central Bank trimmed its key interest rate slightly on Feb. 24, it said it had taken the action in the face of falling inflation. The bank said it would keep monetary policy cautious until evidence was clear of a significant drop in the outlook for inflation, which is falling steadily but remains above the bank’s target level. According to the Central Bank’s survey of business leaders’ and economists’ expectations, consumer prices are expected to rise 6.77 percent in 2015, above the government’s target of 5 percent.

Turkish lira hits record low on Central Bank worries

Reuters, 19.02.2015



The Turkish lira dropped to a record low of 2.5185 against the dollar on, extending losses triggered earlier this week by harsh criticism of the Central Bank from President Recep Tayyip Erdoğan, and on expectations of a U.S. rate hike resulting from stronger-than-expected U.S. durable goods orders.

Erdoğan said on Feb. 25 that the bank's monetary policy was "unsuited to the realities of the Turkish economy" after it failed to meet his demands for rate cuts larger than those it made on Feb. 24. He questioned whether the bank was under external influence.

Market attention was focused on whether Erdoğan would keep up the pressure or seek to lower tension when he speaks at a lunch he is hosting for provincial governors at the presidential palace at noon. "President Erdoğan's comments will be critical for the market today. We could see strong selling pressure if he continues his criticisms of Başçı today. Even worse, we could start to price in Erdem Başçı not continuing (in his post)," said one senior banker. The main share index fell 2.14 percent to 84,076.91 points, having fallen 0.94 percent.

IMF: Turkey cuts gold holdings for 2nd month, Eurozone lifts

Reuters, 24.02.2015



Turkey cut its gold holdings for a second straight month in January, a period when the price of the precious metal rose the most in three years, IMF data showed.

Turkey, which has the 12th biggest gold reserves globally, slashed its holdings by 14.227 tons to 514.893 tons last month, the IMF said. The eurozone, on the other hand, raised its gold holdings by 7.437 tons to 10,791.885 tons in January, the data showed. Spot gold hit a five-month high above \$1,300 an ounce in January after the European Central Bank launched a multibillion euro bond buying program to revive a sagging eurozone economy.

Gold gained 8.4 percent last month, its biggest rise since 2012, though has since pared gains, trading at just above \$1,200 yesterday amid expectations of a hike in U.S. rates this year. Turkey counts gold held on deposit with commercial banks as part of the Central Bank's bullion holdings. Demand in the world's fourth largest consumer of gold is expected to fall further this year with consumers seen delaying purchases ahead of a key election while a war in Iraq and a weak Russian economy could limit jewelry exports. Central bank buying and selling can have a significant influence on gold prices. Central banks became net buyers in 2010 after two decades as net sellers, driven by an increased interest in gold in the wake of the 2008 global economic crisis.

Turkish Central Bank Governor dismisses resignation rumors

Reuters, 27.02.2015



Turkish Central Bank Governor Erdem Başçı sought to calm jittery investors on Feb. 27, dismissing rumors that he would resign and giving a brief lift to the lira currency after it tumbled to a record low.

Başçı's future, and the independence of the central bank, have been a concern for investors since President Tayyip Erdoğan stepped up criticism of the bank this week after it failed to meet his demand for bigger rate cuts. Speaking at a lunch for provincial governors, Erdoğan did not mention the bank's latest rate decision but repeated his view that high interest rates amounted to a betrayal of the nation.

"Selling out the country would be to waste its resources through mismanagement, high interest rates and high inflation," he said in a speech ostensibly about Syria and a Kurdish peace process, but in which he listed various forms of betrayal. "Serving the country means lowering inflation and interest rates to allocate that resource to investments for the country and people," he said.

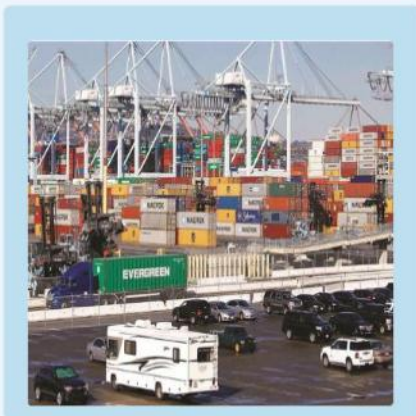
In a further sign of the pressure Başçı faces, Economy Minister Nihat Zeybekçi was quoted as saying that the bank's main interest rate should be cut to 6 percent from 7.5 percent as borrowing costs were "not tolerable." Başçı, who was absent from work on Feb. 26, said that was due to a health check-up which not reveal any serious problems, and was not a sign of an imminent departure, as some market participants had feared. "A public duty is performed for the period it is assigned and it is performed in the best way. As our health allows, we will continue to fulfil the requirements of this duty," he said in comments broadcast by CNN Türk. That initially helped the lira recoup some losses. But the recovery was short-lived and the currency was at a new record low of 2.524 by 1218 GMT.

Erdoğan said that the bank's monetary policy was "unsuited to the realities of the Turkish economy" after it failed to meet his demands for rate cuts larger than those it made on Feb. 17. He questioned whether the bank was under external influence. The main share index fell 1.6 percent, while the yield on the benchmark 10-year government bond rose to 8.56 percent from a spot close of 8.21 percent. For all the turmoil in financial markets, Erdoğan's tirades have won praise from a class of industrialists who have thrived on cheap borrowing costs and political stability over the past decade, and who see him as a pillar of their success. With his eye on a June general election, Erdoğan's rhetoric on monetary policy is unlikely to be toned down any time soon.

Traders viewed Erdoğan's questioning of whether the bank was under external influence as a thinly veiled reference to U.S.-based cleric Fethullah Gülen, a former ally whom Erdoğan accuses of infiltrating state institutions in a bid to unseat him. In the past year, Gülen followers have been systematically purged from bodies including the police and judiciary. Erdoğan's criticism has also triggered speculation about the future of respected Deputy Prime Minister Ali Babacan, an anchor of investor confidence in Turkey for more than a decade. Babacan, who is in charge of the economy and has been a staunch defender of central bank independence, met Prime Minister Ahmet Davutoğlu for more than two hours following Erdoğan's comments on Feb. 25, rattling financial markets. The deputy prime minister has kept a low profile since then.

Turkey's foreign trade gap narrows upon slump in oil prices, rise in gold exports

AFP, 26.02.2015



Turkey's foreign trade deficit narrowed in January to \$4.31 billion, a 37.5 percent decrease from the same month of the previous year, due to the decrease in oil prices and the rise in gold exports, mainly to Switzerland.

According to data revealed by the Turkish Statistics Institute (TÜİK), exports slightly declined to \$12.33 billion in January and imports to \$16.64 billion, a 0.6 percent and 13.7 percent decrease, respectively, from the same month of the previous year. Analysts said Turkey's gold trade needs to be followed closely now, as there were sharp fluctuations in the country's total trade balance between 2012 and 2013.

Due to the sanctions imposed on Iran, Turkey paid the oil and gas imports from the country via a number of Turkish Lira accounts at Halkbank before Iran converted this money into gold or transferred it to its own bank accounts in Iran via several bank accounts in the United Arab Emirates or Switzerland. Due to such transfers, Turkey made record-high gold exports in 2012. The country's \$13.3 billion worth of gold exports in 2012 regressed to \$3.3 billion in 2013, while its gold imports rose from \$7.6 billion in 2012 to \$13.75 billion in 2013.

“We saw around \$1.7 billion worth of improvement in Turkey’s foreign trade gap in January from the previous year, mainly due to the decrease in oil prices. Yet, an additional \$1 billion worth of gold exports to Switzerland seem to enable the country to reach around 37.5 percent improvement in its foreign trade gap, much higher than the expectations at around 10 percent,” said an economist from Oyak Investment, Mehmet Besimoğlu.

According to the TÜİK data, the share of the exports to the EU decreased from 44 percent in January 2014 to 42.7 percent in January 2015. The country made around \$5.27 billion worth of exports to the EU in January 2015, a 3.4 percent decrease from the same month of the previous year. Turkey made the most exports, worth around \$1.11 billion, to Germany in January 2015, followed by Switzerland with \$1.05 billion, Britain with \$944 million and Iraq with \$837 million, the data showed. Turkey made some 32 tons of gold worth around \$1.3 billion in total in January 2015, 24 tons of which were exported to Switzerland for around \$982 million.

Largest problem in world economy is credibility deficit, says Deputy PM Babacan

Anadolu Agency, 23.02.2015



The global economy’s largest problem is a credibility gap, rather than budget deficits, said Deputy Prime Minister Ali Babacan at the first B-20 meeting abroad during Turkey’s G-20 presidency. “The more rapidly we close this credibility gap, the faster we all build confidence. This will bring all of us robust and sustainable growth across the world,” he said

The B-20 Regional Consultancy Forum was held for the first time abroad during Turkey’s G-20 presidency, under the presidency of Babacan. The meeting was hosted by the head of the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and B-20 Turkey, Rifat Hisarciklioğlu.

Babacan praised the importance of regional organizations in boosting economic relations, including the Federation of Gulf Cooperation Council Chambers (FGCCC), which inked a cooperation deal with TOBB and held the first meeting with its Turkish counterparts in Istanbul in February 2012. Babacan noted Turkey wants to revive the free trade deal negotiations with the FGCCC again.

Turkey’s trade volume reached \$16 billion with the federation members, and their investments in Turkey have exceeded \$10 billion, Babacan said. “Trade ties are unfortunately seen less in North Africa and the Middle East when compared to what is happening in Latin America or the Far East... As long as our region’s players could develop more economic ties with each other, this will also be good for our region’s political stability,” Babacan said.

İşbank goes to court amid takeover claims

AFP, 23.02.2015



İşbank said all its activities were in line with Turkish banking laws and said it had observed “incorrect” reports about its activities. “İşbank has always conducted its activities with an emphasis on the benefits to the country, and in compliance with the banking law and related legislation,” the bank said in a statement to the Public Disclosure Platform.

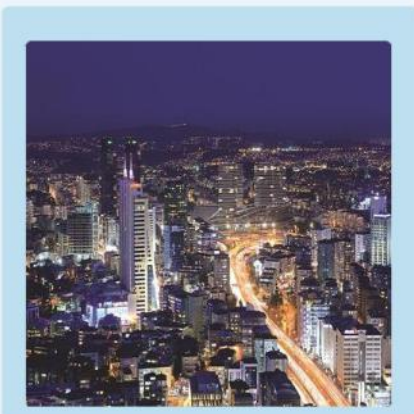
“We would like to warn you of several incorrect reports and claims about our activities,” the bank said, adding that the bank will go to the court against the baseless claimers. Shares in Turkish İşbank fell more than 3 percent yesterday, with analysts citing a claim by a whistleblower.

The whistleblower, who tweets under the pseudonym Fuat Avni, said on Feb. 21 that President Recep Tayyip Erdoğan had ordered Turkey’s banking watchdog (BDDK) to take over İşbank. Economy Minister Nihat Zeybekci dismissed Fuat Avni’s comments. “In Turkey, the economy cannot be ruled by the comments of imaginary people. İşbank is too important to be tarnished by fantastical comments,” Zeybekci told reporters on the sidelines of a meeting in Istanbul.

Presidency spokesperson İbrahim Kalın said empty speculations might be made about the economy, but it makes sense to consider only official announcements in such cases at a press meeting. “We do not have any information about the issue. Unfortunately, we see empty speculations from time to time. It is better to hear announcements from officials,” Kalın said.

Turkey’s external gaps growing rapidly

Hurriyet Daily News, 23.02.2015



The “equilibrium” situation in countries’ relations with global economy has vital significance. How much a country can cover its foreign debts to global markets and other liabilities with its assets it has contributed to the global economy, in other words, with its investments in the external world and with its domestic gold and foreign currency reserves? If there is a gap in its liabilities versus assets, what is its dimension and where does this stand at its national income?

HDN This indicator and similar ones, reveal the fragility coefficient of countries. The method to measure this has been determined by the IMF.

How much are your assets, how much are your liabilities and thus what is the dimension of your gap or surplus? Turkey later said it was in talks with France on the issue. However, in his written response to the question filed in late December 2014 by main opposition Republican People's Party (CHP) İzmir deputy Aykut Çıray, Yılmaz said no new bids had been received. "The project will be financed through foreign financing. Work on assessing the bids has been completed and no new official bid has been received," the minister said, in his response released by Çıray's office. "The system in question will be integrated with the national system for Turkey's defense and will be used without integrating it with NATO," he added.

In Turkey, the Central Bank produces the International Investment Position (IIP), which is the stock value at a certain date of external financial receivables and financial assets versus external financial liabilities. This statistical data is updated every month. In IIP, the difference between the total financial assets and total financial liabilities, is named the net international investment position. In other words, the net international investment position is the net of Turkey's receivables from other countries and Turkey's debts to other countries. The IIP can be negative or positive. For Turkey and similar countries, the IIP is generally negative. External assets are not enough to meet external liabilities. This situation changes from year to year. The rate of Turkey's assets meeting its liabilities and the size of its external gap according to its national income are increasing instead of decreasing every year and its risk coefficient is rising.

Last week, Turkey's IIP gap was declared for 2014 as \$431 billion by the Central Bank. In the Central Bank data for December 2014, while Turkey's external asset-receivable amount was defined as \$230 billion, the amount of its external debts and other liabilities were reported to have reached \$661 billion. In this case, as of the end of 2014, Turkey's position gap has reached \$431 billion and it has surpassed the gap of 2013 by \$37 billion. This means only 35 percent of meeting debts and liabilities and that Turkey has a disadvantage of 65 percent. In the wide sense, external debts are 187 percent more than external receivables. Turkey's national income of 2014 will be announced at the end of March and it is estimated to be \$800 billion. In this case, debts will reach 54 percent of the national income. This rate was 48 percent in 2013. This means the position gap has worsened \$37 billion in one year, increasing 6 points.

While Turkey's external assets increased only \$4 billion in 2014, its external debts and other liabilities increased \$41 billion. It looks like the value of foreign direct investments in Turkey has increased \$19 billion. While the value of foreigners' investments in securities has been \$10 billion, their investments in state bonds increased 14 billion. There was a \$2 billion decrease in foreigners' external debts. The picture does not look good as of 2014, with \$661 billion liabilities versus assets that can only cover nearly 35 percent of them. The fact that assets can only meet 35 percent of liabilities means that there are no assets to cover almost two-thirds of debts and other liabilities. The size of the gap that reaches 54 percent of the country's national income is considered a significant fragility.

The situation that has emerged at the end of 2014 is the product of a buildup of years. In the first year of the rule of the Justice and Development Party (AKP), which was 2003, Turkey's assets reached \$74 billion while its liabilities were \$179 billion. In other words, assets were able to cover 41 percent of the gap that was 35 percent of Turkey's national income. The year 2003 was one when the AKP prepared to further integrate with global economy and, from there, draw more loans, hot money and direct investments. In following years, warming and integration accelerated. For more privatizations and purchases, more foreign capital flew in, more hot money went into the stock exchange and state bonds and more loans from foreign banks started to flow in. As a result, debts and other liabilities increased more than the buildup of assets and at the end of 12 years, in other words, in 2014, the rate of the assets meeting liabilities went quite below what it was in 2003, from 41 percent to 35 percent. The amount of foreign gap, in the same period, went up from \$105 billion to \$431 billion. The rate of the gap in national income hiked to 55 percent from 35 percent.

The dimensions Turkey's position gap have reached, even if only Europe is analyzed, show that it is among the leading of the fragile countries. For the IMF, if the rate of the position gap to the national income exceeds about 40 percent, then it is considered that the red line has been crossed. The place Turkey has reached is 54 percent. This is very fragile and it is a rate that would scare foreign investors.

While the average dollar exchange rate was 1.90 Turkish Liras in 2013, the average dollar exchange rate became 2.20 liras in 2014. Thus the increase in the dollar exchange rate reached 16 percent. Both with the effect of the increase in the exchange rate and also the increase in the debts to foreigners, Turkey's external liabilities increased in terms of liras nearly 24 percent in one year. Its debts and other liabilities in liras increased 276 billion liras to reach 1 trillion 454 billion liras. In other words, the increasing foreign dependency has giant costs in difference in exchange rates and only in 2014 this exchange rate burden was 276 billion liras and with the dollar exchange rate of 2014, it was \$125 billion.

Tofaş to make \$70 million investment with FCA Italy

AFP, 23.02.2015



Tofaş said its board of directors had approved the mini cargo facelift project for light commercial vehicles with FCA Italy, under which it plans to invest \$70 million.

The project will run between 2016 and 2021 with a planned production of 260,000 vehicles, a considerable portion of which will be exported, the company said by a written statement to the Public Disclosure Platform. "For the first production phase, which is planned to begin in the first quarter of 2016 at the Tofaş facilities in the northwestern province of Bursa, around \$70 million of investment will be made," said the company.

Tofaş said it would concentrate on R&D activities and develop new models in another written statement on Jan. 19. The company also said it would secure up to 250 million euros of long-term foreign funds to use for investment in the commercial vehicle segment, without giving any details.

Monitor: 220 Assyrian Christians abducted by ISIL in Syria

AFP, 26.02.2015



ISIL have abducted 220 Assyrian Christians from villages in northeastern Syria in recent days, a monitoring group said more than twice as many as previously reported.

“No fewer than 220 Assyrian citizens were abducted by ISIL over the past three days from 11 villages” the Syrian Observatory for Human Rights said. “Negotiations are under way through mediators from Arab tribes and a member of the Assyrian community to secure the release of the hostages,” the Britain-based monitoring group said. ISIL has seized 10 Christian villages in the Tal Tamer district in the west of the province, prompting a mass exodus of civilians, he added.

UN: Yemen parties close to a deal to end crisis

AFP, 20.02.2015



Yemen’s political parties are edging closer to a deal that would resolve the crisis caused by the Shiite Huthi militia seizing power, UN envoy Jamal Benomar has said. Parties including the powerful Huthis have agreed on the “form of the legislative authority in the interim period”, Benomar said.

He hailed the preliminary accord as an “important step towards achieving a comprehensive political agreement that would end the current crisis”. The Huthis seized Sanaa in September before tightening their grip and prompting Western-backed President Abedrabbo Mansour Hadi to offer to resign in protest.

They dissolved parliament and installed a “presidential council”, sparking security concerns that saw several Arab and Western states close their embassies and evacuate diplomats. The new deal stipulates that the current parliament dominated by ousted president Ali Abdullah Saleh’s party would remain in place, while a parallel “People’s Transitional Council” would be formed to include “unrepresented components”, Benomar said.

Half of the seats in the new council would go to representatives of formerly independent South Yemen, while women and youth groups would get a 30 percent and 20 percent quota respectively. The two chambers together would form the “national council,” the UN envoy said. “This progress is not an agreement, but is an important breakthrough that paves the way towards a comprehensive agreement,” he wrote.

The UN Security Council urged the Huthis, known officially as Ansarullah, to “immediately and unconditionally” engage in “good faith” in UN-brokered negotiations, withdraw their forces from government institutions and relinquish power. In a new resolution, adopted unanimously by all 15 members, the council also demanded that the militia release Hadi, his Prime Minister Khalid Bahah and other officials and activists under de facto house arrest or in detention.

In response the Huthis told the Security Council to “respect the will and sovereignty of the Yemeni people, and to be accurate and objective”. Since overrunning Sanaa unopposed in September, the Huthis have since expanded their control to coastal areas and regions south of the capital, but have faced fierce resistance from Sunni tribes and Al-Qaeda militants. Al-Qaeda, which remains active in the southeast, frequently attacks the security forces. One soldier was killed and four were wounded in a roadside bombing in Hadramawt province Friday. The attack on the road between the main interior towns of Sayun and Shibam targeted the convoy of General Abdulrahman al-Halilli, commander of the First Military Region, an army official said.

Ukraine’s military reports significant fall in fighting

Reuters, 27.02.2015



Ukraine’s military said on Saturday there had been a significant decrease in attacks by pro-Russian separatists in the east overnight, but said rebels had fired GRAD missiles at the town of Avdiivka despite a two-week-old ceasefire deal.

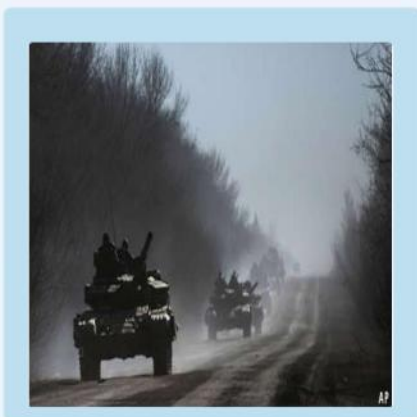
Ukraine reported the first deaths among its servicemen in three days, underscoring the fragility of the truce meant to have taken effect on Feb. 15, as government troops and rebels pulled back heavy weapons from the frontline. Overnight there was a “significant decrease in attacks in general and a full ceasefire in certain parts of the conflict zone,” the military said on its Facebook page.

It said the truce had been most fully observed around the rebel-controlled city of Luhansk and near government-held Mariupol on the Sea of Azov. Kiev feared the port city and industrial hub could become the next rebel target after they humiliated government troops by seizing the strategic town of Debaltseve after the truce was meant to have come into force. The Ukrainian military reported isolated attacks by rebels on government positions, including strikes from GRAD missiles around government-held Avdiivka, north of rebel-held Donetsk and home to one of Europe's largest coke plants.

Fighting in Ukraine's industrialized east has devastated the steel sector, which before the conflict erupted last April accounted for 15 percent of the economy. Both government troops and separatists said they continued withdrawing heavy weapons from the front line, "point two" of the peace agreement aimed at ending the conflict which has killed more than 5,600.

More boots on the ground

The Economist, 25.02.2015



The announcement by David Cameron that Britain is to send 75 military trainers to Ukraine next month has been interpreted by some commentators.

About 800 American troops will also be arriving in western Ukraine in March. According to NATO, five other member countries are thinking about sending in trainers, while Canada and Germany have also agreed to help upgrade the Ukrainian army's antiquated command and communications systems—orders from senior officers are given using old devices that the Russian-backed separatists have no difficulty intercepting.

The British trainers will help with improving the Ukrainian army's intelligence, logistics and battlefield medical procedures as well as more basic infantry training. Over time, the NATO training mission may have some worthwhile military effects. But if, as many expect, the separatists, egged on by the Kremlin, launch a spring offensive in defiance of the most recent ceasefire agreement it is likely to be too little and too late to have any real influence on the course of the conflict.

If that happens, it seems certain that calls for providing the Ukrainians with "lethal aid" will grow again. Earlier this month, Barack Obama, with Angela Merkel, the German chancellor, at his side, said that he was looking "at all the options" that might change Vladimir Putin's "calculus" but had not yet reached a decision on sending weapons. Mrs Merkel and most other European leaders remain opposed and, for now, Mr Obama is putting the highest priority on maintaining Western unity.

However, pressure is growing from Congress for lethal aid. On February 10th the Republican chairman of the House Armed Services Committee, Mac Thornberry, and the ranking Democrat, Adam Smith, introduced legislation calling for a \$1 billion package of immediate lethal defensive aid to help Ukraine secure “its sovereign territory against foreign aggressors”, bolstered by further \$1 billion tranches in each of the next two financial years. During his recent nomination hearing, Mr Obama’s new defence secretary, Ash Carter, also suggested that he too favoured sending the Ukrainians weapons, although he has since snapped back behind the president’s more cagey approach.

A range of equipment is being considered to enhance the Ukrainian army’s ability to inflict heavier costs on the aggressor. These include: light anti-armour missiles; counter-battery radars to identify and target the Grad rockets and artillery that are responsible for about 70% of Ukrainian casualties; medium-altitude surveillance drones to improve tactical situational awareness; electronic counter-measures to disrupt opposing UAVs; secure communications; armoured Humvees; and fully-equipped field hospitals to cut the high death rate among injured soldiers.

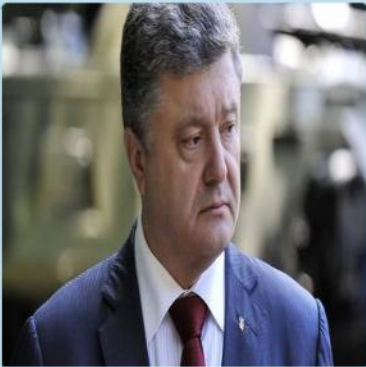
The intention would be for any new kit to be supplied only to Ukrainian regular units rather than the many volunteer battalions fighting in the east. The influx of Western trainers would be able to ensure that Ukrainian forces learned how to use more sophisticated systems before they were deployed. They may also be able to play some role in integrating irregular units into the army—an essential step towards more coordinated command and control.

How much of a difference might all this make on the ground? Nobody suggests that it would be enough to repel a determined advance led by professional Russian troops of the kind that was seen last August. However, by raising the cost of further aggression to the Kremlin it may give it what some are describing as an “escalation dilemma”. The war is losing popularity in Russia and Mr Putin might not want to deal with the political consequences of increased numbers of Russian soldiers returning home in body bags. It may also give separatist fighters, who have enjoyed a string of fairly easy victories in the past few months thanks to superior firepower, a reason to settle for what they have rather than pushing on at the next opportunity.

Critics, however, contend that giving Ukraine even purely defensive weapons will mean intensifying the conflict and raising the number of casualties. On past form, Mr Obama probably leans in their direction. Whether he can continue to do so probably depends on the survival of the current messy ceasefire, something few would put money on.

U.A.E. won't supply weapons to Ukraine

The Wall Street Journal, 28.02.2015



The United Arab Emirates on Friday said it wasn't providing weapons to Ukraine under a wider defense agreement struck this week.

The agreement "does not include any arms deals," said Ambassador Faris Al Mazrouei. Ukraine's President Petro Poroshenko, speaking on Tuesday at the International Defense Exhibition and Conference in Abu Dhabi, said he had struck deals to bolster supplies of defensive equipment, as well as strengthen his country's arms industry. He didn't disclose details of the deals struck at the arms expo but said they were for "defensive weapons."

The U.A.E.'s Mr. Al Mazrouei said: "This agreement is a part of a future cooperation framework between the two countries in this respect." Kiev, which had no immediate comment to the U.A.E.'s statement on Friday, has been looking to boost its supply of weapons as it battles pro-Russian insurgents in the east of the country. Western states have offered assistance but stopped short of shipping arms. Mr. Poroshenko said he had used his visit to the U.A.E. to meet with high ranking U.A.E. officials and talk to western arms makers. Ukraine's weapons industry has been struggling after years of underinvestment and with some facilities lost in eastern Ukraine. Mr. Poroshenko said the agreements signed in Abu Dhabi would boost exports. The revenue could then be used for Ukraine to modernize its own armed forces, he said.

Greece in tough climb down on radical debt promises

AFP, 21.02.2015



Greece's radical left government was at pains to put a positive face on an EU compromise deal that is sharply at odds with its anti-austerity ambitions.

At a last-ditch meeting, Europe gave Athens some breathing room to present alternative reforms in a bid to save its crucial financial lifeline. But the new leftist Greek government, which came to power last month pledging to end deeply unpopular austerity measures, has just two days to submit proposals that will satisfy its sceptical peers. "Greece is heading in a new direction," said Gabriel Sakellaridis, adding that the talks had yielded "significant benefits for the Greek people".

Greece had asked for six-month loan assistance from its European creditors to enable it to submit a new four-year reform blueprint that would scrap the harshest austerity measures. Instead, it received a maximum four months in which to reach an agreement, but no money to tide it over in the meantime. The government said it had averted threatened cuts to pensions and tax hikes, and had persuaded its European creditors to drop unrealistic budget demands. But the opposition socialists said the deal took Greece “kilometres backwards” and accused the government of engaging in “theatrics for domestic consumption”.

The liberal Kathimerini daily spoke of a deal with “stifling” conditions, while the centre-left Ta Nea said “both sides had made compromises”. To win the hard-fought deal, Athens agreed to submit a list of economic and other reforms by Monday. The government pledged to refrain from one-sided measures that could compromise existing fiscal targets, and had to abandon plans to use some 11 billion euros in leftover European bank support funds to help restart the Greek economy.

The hated “troika” of creditors will decide whether to proceed with Feb. 20’s agreement, with the chance that the compromise could be scrapped if they are not satisfied. “If the list of reforms is not agreed, this agreement is dead,” Greek Finance Minister Yanis Varoufakis admitted after the talks. The government had promised to spend 2.0 billion euros this year on poverty relief for thousands of families hit by five years of wage cuts and tax hikes.

Last week it presented legislation offering debt forgiveness to low-income citizens owing money to the state, but Brussels has now demanded to vet such measures beforehand. The 19 eurozone finance ministers reached the agreement at tense talks pitting Greece against an angry Germany, suspicious that the new government in Athens was looking to ditch its austerity obligations. “The meeting was intense because it was about building trust between us,” said Eurogroup head Jeroen Dijsselbloem, after the talks ended with a two-page statement setting out the tough conditions Athens will have to fulfil. “This trust will be on the basis of the agreements and changes in the agreements which will have to be worked out,” he said. Two previous rounds of talks failed in acrimony with Greece accusing Berlin and other hardline member states of sabotaging a deal.

“Being in government is a rendez-vous with reality. Quite frequently it is not as nice as the dream,” said German Finance Minister Wolfgang Schaeuble, Greece’s harshest critic who has fought the new government’s demands every step of the way. He added that the deal promised to be a tough sell to government supporters. If Athens sticks to its commitments, it stands to receive up to 7.2 billion euros in funds still left in the EU portion of its 240 billion euro bailout (\$273 million).

Markets reacted positively to the deal, with the Dow and S&P 500 surging to fresh records on Wall Street as fears of a catastrophic exit by Greece from the euro receded. European officials said the standoff had come down to a clash of personalities with Schaeuble furious at the negotiating style of the casual Varoufakis. After the talks, a key European official said the Schaeuble-Varoufakis relationship was still fraught. “The trust just isn’t there. (This time) Varoufakis kept a very low profile,” the source said.

Austria passes law on Islam, banning foreign funding

AFP, 26.02.2015



Austria's parliament passed a law banning foreign sources of financing to Muslim organisations and requiring imams to be able to speak German, in a move closely watched by other European nations facing growing problems with radicalism.

The new law aims to promote what conservative Integration Minister Sebastian Kurz calls an "Islam of European character" by muting the influence of foreign Muslim nations, organisations and funding at a time when concerns are rising about the spread of extremist Islam. The legislation also offers Austrian Muslims a mix of increased rights and obligations in practising their faith in European country.

But the law has generated opposition from several quarters, including Austrian Muslim groups that call it "discrimination" that imposes restrictions on Islam that other religions aren't saddled with. Turkey's leading Muslim cleric, Mehmet Gormez, has decried the bill as "a 100-year regression," arguing that no complaints have ever been lodged about the fact that Turkey funds many imams in Austria. Austria's far-right Freedom Party, meantime, mocked the bill as a "placebo" at a time when estimates suggest around 200 people from Austria -- including women and minors -- have gone to Syria and Iraq to join jihadist militias like Islamic Front.

The two-year-old bill passed by parliament Wednesday predates the recent jihadist violence in France and Denmark, but is designed to "clearly combat" the growing influence of radical Islam, Kurz said. The new law will be studied by Austria's neighbours. Earlier this month French Prime Minister Manuel Valls raised the notion of banning foreign funding of Islamic organisations. Kurz says officials in Germany and Switzerland have also expressed interest in the legislation.

To combat the rising risk of radical indoctrination of foreign origin, the new legislation bans Islamic cultural organisations and imams in Austria from receiving funding from abroad. It also requires the nearly 450 Muslim organisations in the country to demonstrate a "positive approach towards society and the state" in order to continue receiving official licensing. Imams will be obliged to be able to speak German under the law -- a bid to make their comments more accessible and transparent, while also facilitating the fuller integration of Islam into wider Austrian society. "We want a future in which increasing numbers of imams have grown up in Austria speaking German, and can in that way serve as positive examples for young Muslims," Kurz explained ahead of the vote.

The legislation also provides for Muslims to be able to consult Islamic clerics on the staffs of hospitals, retirement homes, prisons and in the armed forces. Muslims in Austria will also have the right to halal meals in those institutions as well as in public schools, and will be allowed to skip work on Islamic holidays. Austria's previous "law on Islam" dates from 1912, after the annexation of Bosnia-Herzegovina by the Austro-Hungarian empire.

The adopted text scaled back farther-reaching measures contained in an earlier version, including the imposition of an “official” Koran in German that had sparked considerable controversy. A poll published by the OGM institute Tuesday found 58 percent of Austrians feeling radicalisation of the nation’s Muslims was underway. Muslims make up roughly 560,000 of Austria’s total population of 8.5 million. Most Austrian Muslims are of Turkish and Bosnian origin, as well as ethnic Chechens and Iranians.

Medics: Triple bombing kills 25 in east Libya

AFP, 21.02.2015



At least 25 people were killed and 30 wounded in a triple bombing in an eastern Libyan town near the jihadist stronghold of Derna, medical and security sources said.

The simultaneous attacks targeted police headquarters in Al-Qoba, as well as the home of the speaker of Libya’s internationally recognised parliament and a petrol station, the sources said. Al-Qoba is controlled by the paramilitary force of former General Khalifa Haftar. It lies just 30 km west of Derna, where Egypt launched air strikes against jihadist targets on Monday in retaliation for a gruesome Islamic State group video showing the beheading of 21 Christians.

Medics said parliament speaker Aguila Salah Issa was not at home at the time of the bombings. They said the majority of the casualties were at the petrol station where a long queue of motorists had been waiting to fill up. Libya’s recognised parliament has been based in the town of Tobruk, farther east along the coast close to the Egyptian border, since an Islamist-backed militia alliance seized the capital last August and installed a rival parliament and government.

Dozens dead in Shebab attack on Mogadishu hotel

AFP, 21.02.2015



Somalia's Al-Qaeda-linked Shebab insurgents killed at least 25 people in an attack on a popular hotel in the capital Mogadishu where government ministers and officials were holding Friday prayers.

Twin explosions followed by heavy gunfire were heard from the upmarket Central Hotel, close to the presidential palace, with the Islamist gunmen reportedly blasting their way into the fortified building before storming the complex. An official at the presidential palace, known as Villa Somalia, said that at least 25 people were killed and the severity of injuries among the wounded meant the death toll was expected to rise.

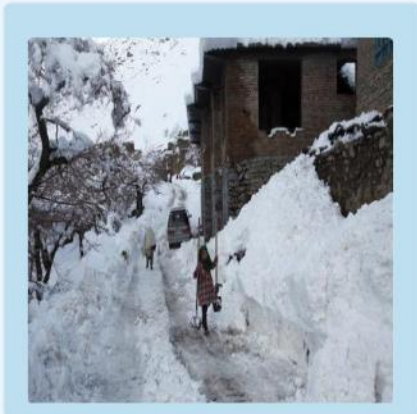
Government sources said that the deputy mayor of Mogadishu and a member of parliament was killed, while the deputy prime minister and minister of transport were among the injured. The hotel attack began with two explosions caused by a car bomb and a suicide bomber followed by gunmen who charged the building, with heavy gunfire heard as security forces took back control. "The building was badly hit, the explosion was very big," said police officer Abulrahman Ali. "There were very many wounded people too, many of them seriously."

Thick clouds of black smoke were seen pouring from the hotel as the injured were rushed to hospital. "There were people covered in blood, I counted 10 dead bodies but that was only in one area," said Ali Hussein, who was close to the hotel when the attack took place. Shebab militants claimed responsibility for the attack. "Our fighters attacked the Central Hotel," Shebab spokesman Abdulaziz Abu Musab told AFP. "The aim is to kill the apostate officials." Shebab rebels have staged a string of assaults in their fight to overthrow the country's internationally-backed government. They have targeted hotels, the international airport, Villa Somalia, a United Nations compound and restaurants.

The extremists say they are targeting government officials for permitting the deployment of foreign African Union troops on Somali soil. Shebab attacks in Somalia have targeted key government and security sites in a bid to discredit claims by the authorities and AU troops that they are winning the war. Friday's attack comes a month after a Shebab suicide bomber exploded a car at the nearby SYL hotel, the day before a planned visit by Turkey's president. United Nations envoy to Somalia Nick Kay condemned the "brutal terrorist attack" on the hotel. "My heart goes out to those who have suffered. We stand firm with the Somalia people," he said in a statement. Britain's ambassador to Somalia Neil Wigan also condemned the attack but said it "will not derail Somalia's determination to defeat Al-Shebab's terrorism." Somalia is due to vote on a new constitution ahead of elections in 2016, but security remains a major problem.

Officials: Death toll from Afghan avalanches tops 200

Reuters, 26.02.2015



More than 200 people have been killed in a series of avalanches triggered by heavy snowfall around Afghanistan, officials said, warning the death toll could rise still further. The bulk of the deaths came in Panjshir province, north of Kabul, where at least 168 people were killed, acting provincial governor Abdul Rahman Kabiri told AFP.

The avalanches came after days of heavy snow, which destroyed more than 100 homes in the province and blocked main roads, making it difficult for rescue workers to reach the stricken villages. "Our death toll has risen to 168 people killed in avalanches in Panjshir province," Kabiri said.

"We have not seen this much snow in Panjshir, or this many avalanches, for decades," Kabiri added. Elsewhere, 18 died in the remote northeastern province of Badakhshan and 12 in Nuristan province in the north. Six were killed in the central province of Bamiyan, four in Laghman and one in Nangarhar, both in the east -- bringing the total toll to at least 209. Rescue teams are still working to recover dead bodies and survivors trapped in Panjshir, but deep snow has hampered efforts to reach isolated villages.

Funerals for the victims began in the Panjshir village of Khinj, north of Bazarak, the province's main town. Two helicopters have brought relief aid to Panjshir from Kabul, and distributed it among the affected families, but supplies were limited. Much of the digging was being done by shovel or even bare hands, Kabiri said, though an AFP photographer saw mechanical diggers at work in several places in Panjshir.

Abdul Rahman Kalantari, head of disaster response at the Afghan Red Crescent Society, confirmed the Panjshir death toll and told AFP it was likely to rise. President Ashraf Ghani expressed his sorrow at the deaths in a statement late Wednesday and said he had ordered Afghan authorities to provide urgent assistance to those affected. Neighbouring Pakistan has also offered to help. Deadly avalanches are common in Afghanistan's mountainous areas in winter. One in the remote far northeast in 2012 left 145 people missing, presumed dead. In 2010, another avalanche killed 165 people in the high-altitude Salang Pass, which runs through the Hindu Kush mountain range that connects capital Kabul to the north. Large parts of the north of Afghanistan experienced heavy snowfall earlier this week. Parts of Kabul were hit by power cuts after snowstorms and avalanches damaged power cables in the Salang Pass, which was closed to traffic. Despite the billions of dollars in aid from the international community after the collapse of the Taliban in 2001, Afghanistan remains among the world's poorest nations after decades of conflict. Rescue efforts after disasters such as avalanches and flash floods, which often hit as snows melt in the spring, are frequently hampered by lack of equipment. Poor infrastructure makes it difficult for rescue teams to reach isolated areas.

US summit ends with little concrete action

AFP, 21.02.2015



The United States sought to unite nations around a common vision for combating violent jihadist groups in three days of talks which ended long on words but short on concrete steps.

In the wake of shocking beheadings and murders by the ISIL group, as well as a series of lone attacks in European cities, governments must remain “unwavering in our fight against terrorist organizations,” President Barack Obama said. He vowed to ministers from some 60 nations to continue to hunt down Al-Qaeda militants in places like Yemen and Somalia and to help shore up fragile nations to “prevent ungoverned spaces where terrorists find safe haven.”

In a statement released at the end of the talks, the participants promised to “chart a path for progress” ahead of summit talks on the margins of the UN General Assembly in September. But amid controversy over Obama’s refusal to specify that the summit was aimed at confronting Islamic militants, the statement noted “the term ‘violent extremism’ like ‘terrorism,’ should not be associated with any religion, nationality, civilization, or ethnic group.” “The notion that the West is at war with Islam is an ugly lie,” Obama insisted. Republican hawk John McCain immediately turned the words back on the president, tweeting: “The notion that radical Islam isn’t at war with the West is an ugly lie.”

Announcements & Reports

► *Euro-area governance: what to reform and how to do it*

Source : Bruegel

Weblink : <http://www.bruegel.org/publications/publication-detail/publication/870-euro-area-governance-what-to-reform-and-how-to-do-it/>

► *The Value in Wellington's Cautious Decision to Join the Fight*

Source : CSIS

Weblink : <http://csis.org/publication/value-wellingtons-cautious-decision-join-fight>

► *Opportunities in Strengthening Trade Assistance*

Source : CSIS

Weblink : <http://csis.org/publication/opportunities-strengthening-trade-assistance>

Upcoming Events

► *Opportunities in Strengthening Trade Assistance*

Date : 01 March 2015

Place : Washington - USA

Website : <http://csis.org/event/opportunities-strengthening-trade-assistance>

► *Russian Security: Facing a 21st Century of Instability*

Date : 02 March 2015

Place : London – United Kingdom

Website : <http://www.chathamhouse.org/event/russian-security-facing-21st-century-instability>

► *Diversifying MENA Economies*

Date : 02 - 03 March 2015

Place : London – United Kingdom

Website : <http://www.chathamhouse.org/conferences/MENA-Economies>

► *Market-based Finance: Creating Resilient Markets for Growth*

Date : 09 March 2015

Place : London – United Kingdom

Website : <http://www.chathamhouse.org/conferences/financialsystem>

► *Creating an Effective Financial System*

Date : 09 March 2015
Place : London – United Kingdom
Website : <http://www.chathamhouse.org/conferences/MENA-Economies>

► *Divided Societies, Volatile States: The Politics of Identity Post-Arab Spring*

Date : 10 march 2015
Place : Texas – USA
Website : <http://bakerinstitute.org/events/1695/>

► *Innovation Forum 2015*

Date : 26 March 2015
Place : Chicago – USA
Website : <http://www.economist.com/events-conferences/americas/innovation-2015>