

## Erdogan says ‘consensus’ reached with Central Bank

Hurriyet Daily News, 13.03.2015



Recep Tayyip Erdoğan said that his talks this week with Central Bank Governor Erdem Başçı had ended “positively and with a consensus,” in comments that appeared designed to ease tensions over monetary policy.

Differences in views are not extraordinary and can happen everywhere and in every position, Erdoğan said, responding to questions on his meeting with Başçı and the government’s economic point-man Ali Babacan. “My sensitivity is about not having setbacks in investments. We particularly shared the idea that the Central Bank would have a role with regard to taking measures encouraging investments,” he told.

“We have reached a consensus and made our statement this week, as you know” Erdoğan also said. “We will meet more frequently in the future, I hope,” he added. At the meeting late on March 11, Başçı made a 130-page presentation on “restoring confidence to the economy and limiting public debt,” according to Anadolu Agency. No press conference was held after the meeting, but the presidential office issued a statement that said the “president’s sensitivity about rates and production were emphasized” and “the current environment of confidence and stability should be meticulously maintained.”

## Turkish gov’t seeking ways to ease markets amid lira’s plunge

Hurriyet Daily News, 11.03.2015



Ankara has been seeking ways to calm the markets as the Turkish Lira has plunged to historic lows in recent weeks amid a potential U.S. interest rate hike pushing the dollar to multi-year highs and concerns about political pressure on Turkey’s Central Bank. Leading figures of the government have now made statements underlying the independence of the Central Bank after weeks in the dramatic fall of the country’s currency.

The first high-level economy summit was made under the leadership of Prime Minister Ahmet Davutoğlu with leading economy-related ministers and Central Bank Gov.

After an eight-hour meeting, a statement was released by the Prime Ministry, emphasizing the need for growth and the independence of the Central Bank. “Turkey’s government is working on measures to boost industrial production, employment and companies’ capital structure as it seeks to improve growth, and will introduce the package soon,” said the statement. “The Central Bank, which is independent to use its tools, has been taking the required measures when necessary in line with its monetary policy targets,” added the statement.

Economy Minister Nihat Zeybekci, one of the ministers who attended in the meeting at the Prime Ministry, said March 11 the Central Bank was fully independent. Deputy PM Numan Kurtulmuş also said the Turkish economy had solid macroeconomic foundations, meaning there was no reason to worry about the economy. Fluctuating markets are in need of seeing President Recep Tayyip Erdoğan make peace with Başçı, according to many analysts. They both had a scheduled meeting on March 11 to assess the latest developments in the Turkish economy, as well as the global economy. Deputy PM Ali Babacan was also expected to attend the meeting.

Erdoğan’s demands for a sharp rate cut to boost economic growth before a June election, even though inflation remains high, have helped to send the lira to record lows and raised concern about the bank’s independence, according to analysts. The lira has been down around 12 percent against the dollar since an announcement of an inflation report by the Central Bank at the end of January. The Central Bank made slight rate cuts, saying its strong need to see the inflation to decrease, yet the political figures grilled the bank for its rate policy throughout February. Unable to raise rates to defend the Turkish currency, Başçı has resorted to tweaking policy on the margins to try to boost dollar liquidity, with limited success.

Turkey’s lira, South Africa’s rand and Brazil’s real suffered some of the steepest losses in the recent emerging-market rout. Their peers in the so-called fragile five, India and Indonesia, escaped with less damage, as Reuters reported. The five countries got their name in 2013, as hints emerged that the Fed would end its easy-money policy. In the recent emerging-market sell-off, Brazil has lost as much as 15 percent and Turkey 11.5 percent since the start of the year. Sentiment toward the lira was finally boosted on March 11 by data showing a lower-than-expected current account deficit in January, and the optimism over a rapprochement between Erdoğan and the Central Bank. “When Erdoğan finally meets Başçı, Babacan et al, he needs to signal some kind of peace has been called, and let them get on with their jobs,” said Timothy Ash, head of emerging markets research at Standard Bank in London, as quoted by Reuters. “Confirming Başçı in office for another term would go some way to easing market concern, albeit [I’m] not sure whether Başçı would want another term in this environment,” he added.

## Dogan chair: Innovation key for Turkish economy to grow

Doğan News Agency, 13.03.2015



Innovation and adapting to the digital world is the key for the growth of the Turkish economy in the coming years, Doğan Holding Chair Begümhan Doğan Faralyalı said.

“Turkey’s companies’ chief executives need to internalize and make big investments in innovation and digitalization, so our country can develop globally known brands,” Doğan Faralyalı said. The digitalization trend creates both challenges and opportunities for leaders across the world, she added. “Companies that could not make even small steps on the road to digitalization and develop digital strategies will lose in the end,” she also said.

Doğan Faralyalı noted that digitalizing companies change not only their sector, but the whole ecosystem. “Let’s think about Google, which is an Internet search company that can also produce drones. The basis of digitalization is a rich culture of innovation ... We need innovative companies to make our country have one of the biggest economies,” she said. “Turkey is currently ranked 54th in the Global Innovation Index of the leading international organizations and 64th in the Social Development Index.

## Turkey’s exports to Egypt rose by 3 percent in 2014

Anadolu Agency, 03.03.2015



Turkey’s exports to Egypt increased by 3.1 percent in 2014, according to the Turkish-Egyptian Business Association. “Turkey’s exports to Egypt last year amounted to some \$3.398 billion,” Atilla Ataseven told.

However, Ataseven also stated that Egyptian exports to Turkey decreased by 13.8 percent during 2014, down from \$1.727 billion to \$1.489 billion. Relations between Cairo and Ankara have been strained since the 2013 military ouster of Mohamed Morsi, Egypt’s first freely elected president. In the wake of the coup, Ankara, a former ally of the Morsi administration, and Cairo downgraded diplomatic relations.

Ataseven said Turkish investors in Egypt were unfazed by political differences between the two countries. “Egyptian officials are keen on positive cooperation with Turkish investors,” he said. According to official Egyptian figures, 418 Turkish companies currently operate in Egypt in a number of fields, particularly textiles and clothing.

## Akbank mandates banks to renew \$1.2 bln syndicated loan

Doğan News Agency, 13.05.2015



Turkish lender Akbank has mandated a consortium of international banks to renew its syndicated loan amounting to a total of \$1.2 billion, it said March 13 in a written statement to the Public Disclosure Platform.

Citigroup announced earlier in March that it had sold its nearly 10 percent stake in Akbank for \$1.2 billion, its latest disposal of overseas assets to cut costs and boost capital. Citi, which had been the second-largest shareholder in Akbank, said the sale would not have a material impact on its finances. Akbank is Turkey’s fourth-largest listed lender by assets.

## Poverty in Turkey ‘at lowest level in 10 years’

Anadolu Agency, 11.03.2015



Poverty in Turkey is at its lowest level in the last 10 years, World Bank Turkey director Martin Raiser said late on March 10, speaking at a World Bank presentation meeting at the Chamber of Industry in the southern province of Gaziantep.

“Today, the poverty rate in Turkey is at 5 percent, while 10 years ago it was around 16 percent,” Raiser said. “Turkey’s economic transformation is an inclusive transformation and growth will continue to go in this direction,” he added, referring to the country’s growing middle class. Raiser noted that Gaziantep was one of Turkey’s most dynamic provinces and an example to others.

Speaking at the same event, Gaziantep Chamber of Industry Chairman Adil Konukoğlu also paid tribute to the city's industrial growth, noting that while the value of Turkey's exports has increased 13-fold over the past 25 years, Gaziantep's exports have increased by 56 times.

## Turkey's current account deficit narrows to \$2 billion upon oil slump

Reuters, 11.03.2015



Turkey's current account deficit narrowed to \$2 billion in January, beating estimates, thanks to the decrease in oil prices and the fall in the foreign trade deficit in the same period, according to data released by the Central Bank.

The annual current account deficit fell to \$42.87 billion in January from \$45.85 billion in the previous month, according to the data. Analysts expect a further decrease in the current account gap as the economy slows down and Turkey's energy costs decrease upon the oil slump. The deficit showed a difference of about nearly \$3 billion, as declining oil prices cut the value of imports sharply, data showed.

Turkey's GDP growth has slowed since the second quarter of 2014, slipping to 1.7 percent in the third quarter of last year. Inflation is still well above 7 percent, significantly higher than medium term economic program targets. The Central Bank attributed the decrease in the current account deficit to a \$2.6 billion drop in the foreign trade deficit and a \$277 million surplus in the income of the services sector. "A drop in the current account deficit could be explained by declining energy prices, such as oil and natural gas, and commodity prices, such as iron and rice," Emre Özsöz, an academic at the State University of New York told Anadolu Agency.

Direct investment net inflow stood at \$1.6 billion, while portfolio investment was at \$1.61 billion in the same period. Garanti Investment Chief Economist Gizem Öztok Altınsaç said the current account gap may narrow to \$35 billion by the end of 2015 over an average oil price at around \$58. "Turkey started the year in an advantageous position. We have, however, started to see capital outflows following the announcement of the Central Bank's Inflation Report on Jan. 27 and the rising discussions over the Bank's moves," she told to Reuters. A decrease was seen in capital inflows to Turkey by the end of January, analysts said. "Other investment" recorded a net inflow of \$4.27 billion, while the "currency and deposits" item recorded a net inflow of \$3.52 billion, according to the Central Bank data. "Specifically, banks' currency and deposits within their foreign correspondent banks recorded \$312 million on a net basis, while nonresident banks' deposits held within domestic banks recorded a net increase of \$3.4 billion," the Bank stated.

The “under services” and “transportation” item recorded a net inflow of \$214 million, an increase of \$104 million, while the “travel” item recorded a net inflow of \$990 million, increasing by \$84 million compared to the first month of last year. With regard to loans obtained from nonresidents, repayments worth \$357 million were made to the Turkish government. Banks and other sectors realized a net disbursement of \$1.45 billion and \$889 million respectively, mainly owing to short-term loan disbursements. Meanwhile, regarding bond issues in international capital markets, the government borrowed \$1.5 billion, as banks and other sectors borrowed \$244 million and \$58 million on a net basis respectively, according to the data.

## Turkey’s industrial production drops in January, fueling concerns about growth rates

Reuters, 09.03.2015



Turkey’s industrial production declined a calendar-adjusted 2.2 percent year-on-year in January, reversing a 2.5 percent increase in the previous month, TÜİK showed. Seasonally and calendar adjusted industrial production decreased by 1.4 percent compared with the previous month.

Leading economists had anticipated an increase in January. The mining and quarrying index led the declines with an 11.5 percent decrease, while the manufacturing index dropped by 2.4 percent over the same period. But the electricity, gas, steam and air conditioning supply output increased by 2.9 percent in January, in contrast to the prevailing trend.

“January industrial output did not give healthy signs for GDP growth. In February, the capacity utilization rate also dropped to 72.8 percent. We foresee a continuation of weak industrial production in the next reading in February,” ALB Securities analyst Enver Erkan told Anadolu Agency. “We preserved our 1.5 percent GDP growth forecast for the first quarter of 2015 and 2 percent for whole year, because the weak outlook in the eurozone, the economic crisis in Russia and the crisis in the Middle East have affected the Turkish economy adversely. Also weak domestic demand is negative for both industrial production and growth,” Erkan said.

The government expects the economy to grow some 4 percent in 2015 and inflation will fall “comfortably” to a Central Bank forecast of 6.1 percent, Finance Minister Mehmet Şimşek said Jan. 15, pledging continued fiscal discipline ahead of a June election. Şimşek said the economy was expected to have grown about 3 percent in 2014. He also forecast that the current account deficit would fall to 3-4 percent of output if oil prices stay at their current levels.

The GDP growth has slowed since the second quarter of 2014, slipping to 1.7 percent in third quarter of last year, and inflation is still well above 7 percent, significantly higher than the medium term economic program targets. "The growth slowed down in 2014. And the basic indicators have now shown the trend will continue in 2015 as well. The 2014 growth rates will be announced at the end of the month and we forecast the rate will be lower than the 3 percent," Şeker Investment Chief Economist Gülay Elif Girgin told Reuters.

## Foreign investors in Turkey close to finance, distant from industry

Hurriyet Daily News, 01.03.2015



The focus from the foreign resource inflow into Turkey from 2003 onwards, when AKP took power, as well as the focus of foreign direct investments have been radically different from previous eras.

In the period under AKP rule, the acceleration of the inflow of foreign resources is mostly associated with the results due to the IMF's controlled measures package for the 2001 crisis. While a new IMF program was implemented in 1998, the 2000-2001 fluctuation dragged Turkey's economy into a major crisis; the outflow of capital forced the Bülent Ecevit-led coalition government to take emergency measures.

Kemal Derviş, trusted by the IMF and World Bank, was invited to Turkey as deputy prime minister and as a result of the bitter medicine administered by the IMF, equilibriums were reconstructed. The policies implemented included the rehabilitation of the banking system, which had collapsed with the bankruptcy of about 20 banks, as well as a serious revision policy for central budget, social security system, the state economic enterprises (KİT), the privatization process, municipalities and agriculture sales cooperatives. Through these policies, public finance was also rehabilitated. These radical measures produced serious political results and coalition partners failed to pass the threshold in 2002 elections. This huge voter reaction was beneficial for the AKP. The recovering economy attracted extraordinary foreign resources.

HDN The AKP became the only ruling party thanks to the election system, which has a 10 percent threshold. One-party rule, plus the rehabilitated finance system and public finance, was attractive for foreign investors. The IMF control was a separate assurance. As a sum of all these factors, it resulted in an extraordinary resource inflow, some of them buying KİTs in the industry sector. The banking sector of the economy, which grew at an average of 7 percent during the 2003-2007 period, was a separate attraction for foreigners who also entered the finance sector by buying banks. When the 2003-2014 period is reviewed, the foreign direct investment in these 12 years neared \$120 billion. Almost one-third of the foreign resource inflow in the same period came as direct foreign capital while the remaining two thirds came as portfolio investment and credits – these are "debt raising capital."

The sector breakdown of the FDI reveals another striking fact. Foreigners have chosen to invest in the finance sector more than in industry. The finance sector, banking and insurance have the biggest share in direct investment with 37percent. The mobile phone market has been another attractive sector for foreign investors, nearing 10 percent of total direct investment. Foreigners engaging in commercial activities primarily did so in the retail sector, with the percentage exceeding 5 percent. Construction and real estate sector also attracted nearly 5 percent of foreigners. Other sectors such as transportation, health and other service sectors also attracted foreign capital, corresponding to a share of 62.5 percent of total foreign capital, constituting nearly \$75 billion of the nearly \$120 billion direct foreign capital in 12 years.

Industry has constituted a share of 37.5 percent in direct foreign capital in the general sense in this period; however, when the definition is narrowed to the manufacturing industry, only 22 percent of FDI has gone to the manufacturing industry. Energy investments have a share of 13.5 percent in total, while mining has almost a 2 percent share. Thus, we can say that during the 2003-2014 period foreigners have invested \$2.2 billion in manufacturing industry and \$1.3 billion in energy industry annually. This is equal to the amount invested in the finance sector alone. In other words, foreigners have invested in the manufacturing industry, energy and mining an amount equal to what invested in the banking-insurance sector alone. This preference is associated with profitability. Because foreigners saw that profit rates in finance were higher than industry, they steered their investments in that direction.

While 22 percent of the almost \$210 billion foreign direct investment in 12 years was directed to the manufacturing industry, their subsectors were food, alcoholic beverages and tobacco which had a one-fourth share. The entries to this manufacturing branch was nearly \$7 billion in 12 years, with the privatization of Tekel and investments in the tobacco sector playing a major role. The chemical industry (including medicine) has 17 percent share in manufacturing investments of foreigners. While the computer and electronic utensil subsector came third in attracting foreign investors in the manufacturing industry, the main metal industry is the fourth subsector with its nearly 11 percent share. It can be seen that foreign investments in the subsectors of manufacturing are mostly domestic market-oriented sectors. It should also be noted that chemical and computer-electronics sectors have quite a high rate of imported inputs.

Foreign investments also came as investments in shares on the bourse. Investors involved in buying and selling shares traded on bourse are exporting capital this way. According to Central Bank data, the value of shares of Turkish companies bought by foreigners at the end of 2014 was \$62 billion. This amount was around \$33 billion in 2005. This means an increase of around 88 percent in 10 years. In 2005, in the portfolio of foreigners, 24 percent of shares belonged to industry firms and their market value was \$8 billion. When it was 2014, the value of foreigners' shares in industry firms reached \$15 billion; the share did not change. The sector preferences of foreigners where they became partners to companies do not vary much from their preferences in the stock exchange market. In 2014, shares belonging to foreigners were predominantly from the finance sector, while 52 percent of the portfolio was made up of banking shares. At the end of 2014, the amount of shares of the financial sector that belonged to foreigners was \$32 billion, with a share of 52 percent.

# Kerry says unclear whether nuclear deal with Iran within reach

Reuters, 13.03.2015



On the eve of fresh talks with Iran, U.S. Secretary of State John Kerry said it was unclear whether an interim agreement over its nuclear power program was within reach.

“I can’t tell you whether or not we can get a deal, whether we are close,” Kerry told a news conference in the Red Sea resort of Sharm el-Sheikh, where he attended an Egyptian investment summit. “The purpose of these negotiations is not just to get a deal, it is to get the right deal,” he added. The United States and five other major powers will resume negotiations with Iran in Lausanne, Switzerland, from March 15. They hope to clinch a framework agreement.

The two sides would then seek to negotiate by June 30 a final agreement to would curb Iran’s most sensitive nuclear activities for at least 10 years. In exchange, sanctions on the Islamic Republic would gradually end. Kerry expressed concern again that a letter to Iran last week from Republican senators may have undermined the talks. The letter warned Iran that any deal made by President Barack Obama might last only as long as he remained in office -- a highly unusual intervention in U.S. foreign policy-making. Kerry said he would assure Iranian negotiators and Europeans allies during the upcoming talks that Congress did not have the authority to change the deal. “As far as we’re concerned, Congress has no ability to change an executive agreement,” Kerry said, adding that “important gaps” still remained between the sides.

The letter followed a speech to Congress earlier this month by Israeli Prime Minister Benjamin Netanyahu, who warned that Obama was negotiating a “bad deal” with Iran. Republicans invited Netanyahu to speak about Iran without consulting the White House or Democrats. With Israel preparing to elect a new government next week, Kerry said the United States hoped that whatever the outcome it would help push forward the peace process with Palestinians. Opinion polls show Israel’s center-left opposition is poised for an upset victory in the parliamentary elections over Prime Minister Benjamin Netanyahu’s party. “President Obama remains committed to a two-state solution,” Kerry said, adding “he remains hopeful that whatever choice that people of Israel make, that there will be an ability to be able to move forward on those efforts.” He declined to elaborate on the prospects of resuming the talks, with an election just days away.

Peace talks broke down in April 2014 after nine months of negotiations led by Kerry, with the long-standing goal of a two-state solution no closer. Kerry met with Palestinian President Mahmoud Abbas on March 14 on the sidelines of the investment conference in Sharm el-Sheikh. The meeting included Jordan’s King Abdullah and Egyptian President Abdel Fattah al-Sisi. Abbas has steered clear of taking a position on the Israeli election, saying only that he was ready to work with who wins.

# Monitor: Nearly 13,000 killed by regime torture in Syria war

AFP, 13.03.2015



Nearly 13,000 Syrians, including 108 children, have been tortured to death in regime prisons since the uprising began in March 2011, a monitoring group said. The Syrian Observatory for Human Rights said the youngest of the 12,751 victims was just 12 years old.

“Some of the families of those killed under torture were forced to sign statements that their loved ones had been killed by rebel groups,” said Observatory head Rami Abdel Rahman. He told the toll did not include more than 20,000 detainees who have “disappeared” in government prisons and whose fate remains unknown.

The most notorious detention centres include those operated by Syria’s Air Force Intelligence and Military Intelligence services. In total, the Britain-based Observatory said an estimated 200,000 people have been arrested over the past four years. Security officials starve detainees to death, deny medicine to sick prisoners and subject them to psychological torture, Abdel Rahman said. He said those arrested include political activists, rebels and regular demonstrators. Former detainees have described the horror of the torture techniques, many of which have become infamous throughout Syria.

According to a 2013 Human Rights Watch report, Syrian security officials beat prisoners with batons and metal rods as they hung from the ceiling by their wrists. A report issued by 21 international aid organisations on Thursday said rape and sexual abuse were also used in regime detention centres as a “method of war.” More than 210,000 people have been killed in Syria since the uprising began, according to the Observatory.

# Gulf states say Yemen crisis talks open to Huthis

AFP, 12.03.2015



Talks aimed at pulling Yemen out of crisis are open to the Shiite Huthi militia which seized power in Sanaa last month, Qatar's Foreign Minister Khalid al-Attiyah said.

The Huthis have so far opposed any change in venue for UN-brokered talks which broke down after Western-backed President Mansour Hadi escaped from house arrest in Sanaa and resumed power from second city Aden in the south. With no agreement on a venue to continue dialogue inside Yemen, Hadi proposed that talks move to neighbouring Saudi Arabia. The six Sunni-dominated Gulf Cooperation Council members agreed to that request but have not set a date for the meeting.

"The invitation concerns the Huthis," Attiyah, whose country currently holds the GCC's rotating presidency, told reporters following a meeting of Gulf foreign ministers in the Saudi capital. "It's their business to accept or not." GCC Secretary General Abdullatif al-Zayani confirmed that "the invitation was addressed to all" protagonists in the crisis in Yemen, which is a frontline in the United States war against Al-Qaeda. At the joint news conference with Attiyah, Zayani underlined that anyone joining the negotiations must adhere to Hadi's conditions.

These include rejecting "the coup d'etat" by the Huthis, returning seized military equipment and allowing the state "to recover its authority over all territory," Hadi said in a letter to Saudi Arabia's King Salman. The talks would aim for a resumption of the political process begun after the departure of former president Ali Abdullah Saleh in early 2012 after a bloody year-long popular uprising. The process, which stalled after Huthis overran Sanaa in September, called for turning the republic into a federation of six regions. Huthis have rejected that idea, saying it would divide the country into rich and poor areas. They have instead favoured the "national dialogue" in the capital Sanaa under the supervision of UN envoy Jamal Benomar.

The planned talks in Riyadh would be a separate initiative, Zayani said. Saleh's General People's Congress party has also warned that it will boycott talks held outside Sanaa. Saleh is widely accused of backing the Huthis. Separatists from southern Yemen have taken an opposite point of view. They suspended their participation in the UN-sponsored discussions until they are moved abroad. The Gulf states are deeply suspicious of the Huthis, fearing they will take Yemen into the orbit of Shiite Iran.

# IMF approves \$17.5 bln aid for Ukraine

AFP, 12.03.2015



The International Monetary Fund approved a \$17.5 billion aid plan for crisis-wracked Ukraine, whose economy is reeling from a pro-Russia insurgency in its industrial heartland.

The new loan, with \$5 billion to be disbursed immediately, replaces an IMF program less than one year old that proved inadequate to stabilize Kyiv's finances as it fights the separatists. "This new four-year extended arrangement will support immediate economic stabilization in Ukraine and a set of deep and wide-ranging policy reforms aimed at restoring robust growth over the medium term and improving living standards for the Ukrainian people," Lagarde said.

The IMF aid is part of about \$40 billion in planned support from the international community, including bilateral loans and a significant contribution from restructuring the country's debt with private creditors. The new loan is "based on a comprehensive economic reform program supported by the Fund as well as by additional resources from the international community, the IMF said. Lagarde said the new IMF program is better-suited to the more protracted nature of Ukraine's balance-of-payments needs and "will provide more funding, more time, more flexibility, and better financing terms." But she added that the program "is ambitious and involves risks, notably those stemming from the conflict in the east of the country."

Ukraine's government has forecast the economy to remain mired in a deep recession this year, contracting by 5.5 percent. Much of the potential \$40 billion aid package will go toward boosting its gaping foreign currency reserves. Last week Ukraine's central bank moved to shore up the country's battered currency by hiking interest rates to 30 percent as the government pushed through draconian reforms needed to clinch the new IMF bailout. The bank said the enormous jump in the benchmark refinancing rate, from 19.5 percent, was aimed at "stabilizing the macroeconomic situation" pending the IMF's decision on the aid.

# Crimea still erasing its Ukrainian past a year after Russia's takeover

The Guardian, 13.03.2015



The district court in the suburbs of Crimea's capital, Simferopol, has changed little in appearance since Russia took over the peninsula. It has the same shabby corridors, the same prefabricated wooden furniture and the same prosecutors and judges working in it as it did a year ago.

The only noticeable change is the flag flying in its courtrooms. Judge Natalia Urzhumova sentenced three locals to 40 hours of manual labour. Their crime: to have displayed the Ukrainian flag to which, until a year ago, the judge herself had pledged allegiance, and which had been on display in the very courtroom where the trial took place.

The trial showed both how much Crimea has changed in the past year, and how in many ways it has stayed the same. As the peninsula prepares to mark the one-year anniversary of Russia's takeover, seen as an illegal annexation by most of the world but "historical justice" in Moscow, all memory of the region's Ukrainian past is being erased, and a harsh crackdown on voices of dissent is under way. But at the same time, Russia's police, judicial and civil servant corpus on the peninsula is almost entirely made up of those who used to serve Ukraine.

Leonid Kuzmin, Alexander Kravchenko and Veldar Shukhurdzhiyev were all found guilty of breaking the rules of a gathering to celebrate the anniversary of the birth of the Ukrainian poet Taras Shevchenko. All three men were sentenced to 10 days of manual labour for their actions at the rally organised by Kuzmin, a 24-year-old history teacher. The event was a low-key gathering on Monday, where around 20 people read poetry in a park on the outskirts of Simferopol. During the trial, the Ukrainian flag was described as "extremist", "provocative" and "forbidden" by police witnesses. In her verdicts, Urzhumova said that, as Ukraine had not existed as a state at the time Shevchenko wrote poetry, the Ukrainian flag could not have any link to him.

Monday marks the one-year anniversary since a hastily organised referendum saw Crimeans vote overwhelmingly to join Russia, after the Maidan revolution in Kiev had deposed Ukrainian president Viktor Yanukovich. In trailers for a three-hour documentary about the events in Crimea last year due to be broadcast on Sunday night on Russian state television, President Vladimir Putin subverted his own previous narrative: that the Russian decision to take over the peninsula was purely a response to the overwhelming desire of the local population expressed in the referendum. Instead, he said, after meeting all night with his security chiefs the night after Yanukovich fled Kiev, he took the decision to annex the region. "I said to my colleagues: 'We must start working on returning Crimea to Russia,'" Putin said. Soon after, Russian army soldiers appeared on the peninsula, wearing unmarked uniforms. At the time, Putin denied their presence, and the soldiers became known as "little green men".

Despite the dubious nature of the referendum and the admission that it was all planned from Moscow, there is no doubt that support for joining Russia remains high among Crimea's population. One indicator of this is how few people Moscow has needed to import from the mainland to run the region. A year on, the currency in Crimea has changed, the phone numbers have changed, the banks have changed, but most of the people running the region are the same. "Perhaps a few dozen top leaders have come in, but everywhere else, the structures which were Ukrainian before simply became Russian," said Ilmi Umerov, who was the head of Bakhchisarai region before resigning in September because he did not want to work with the Russian authorities. "In my region about 80% of the Ukrainian soldiers joined the Russian army, about 90% of the prosecutors' office have gone over, and 100% of the SBU [security services] and police. I don't know a single case of anyone from the SBU not going over to the FSB."

Umerov said the only new arrival in Bakhchisarai region was an FSB officer from Krasnoyarsk region in Siberia who has taken over the local FSB office. "When he came to introduce himself to me, he told me he'd never been to Crimea before. He didn't even know the basic geography of the place," said Umerov. However, he had plenty of help: the entire local SBU office defected to the FSB. The former local head of the SBU is now the deputy. Each region of Crimea was given a "courier region" in Russia, which sent specialists over to train the locals. The Kremlin's minister for Crimea, Oleg Saveliev, who is on the EU sanctions list, said in an interview in Simferopol on Friday that the programme to retrain local civil servants was continuing, but that there were fewer officials here on a permanent basis.

It will likely take many years before the transition is fully complete. When sentencing one of the defendants in the Shevchenko case, Judge Urzhumova initially handed down a punishment of 48 hours of manual labour, even though the law she charged him under specifies a maximum of 40. She frequently had to check various books on Russian law she had in front of her. "Sometimes they ask to adjourn overnight so they can go home and read the laws," said one Crimean lawyer. The annexation led to the worst crisis between Russia and the west since the cold war, and sanctions introduced by the US and European Union mean Visa and Mastercard do not work in Crimea, leaving a mainly cash-based economy, while major Russian banks and chains have not entered the peninsula, fearing that to do so will lead to western sanctions. Salaries and pensions have gone up, but inflation has also skyrocketed.

Saveliev says the authorities are monitoring public opinion and claims there is still 95% support for the Russian takeover. The level of support is undoubtedly high, but may not be quite so overwhelming. People are very wary of speaking out, and most asked for their names not to be used even when expressing neutral opinions. Very few journalists working for publications not loyal to the new Crimean authorities remain. On Friday morning, FSB agents searched the family apartments of two journalists who work for a pro-Ukrainian agency. A number of prominent Crimean Tatar leaders, who have advocated a policy of boycotting the new Russian authorities, have been banned from the peninsula, and crackdowns even on minor events such as the Shevchenko gathering appear designed to stamp out the first shoots of dissent.

The “self-defence forces”, groups of locals who formed to counter the supposed threat from Ukrainian radicals and who accompanied the “little green men” when they went to flush Ukrainian soldiers out of their bases, have now been given uniforms and legalised as the “people’s resistance force”. Of the roughly 10,000 who signed up a year ago, 500 are now involved full-time in the structure. On the wall of their headquarters in central Simferopol there is a laminated Putin portrait and a framed headshot of Joseph Stalin. “The best thing is that there is no stress when I turn on the television,” said Vladimir, a 50-year-old deputy commander of the “people’s resistance”. He carries a pistol with a personalised engraving from the Russian defence minister, Sergei Shoigu, marking his courage in the events that led to Crimea “rejoining” Russia. “You can’t understand what a relief it is now to turn on the television and hear Russian only.”

Vladimir said the resistance forces would remain in operation “as long as the people need us”. A spokesman for the forces said they took part in “tasks the police and the army cannot do” such as “renationalising” Ukrainian state property and transferring it to Russia. Simferopol’s central Lenin Square was being spruced up with Russian flags in preparation for the anniversary festivities. Thousands of children will gather on the square to make a huge Russian flag, there will be military parades, and people hope Putin will visit.

Most of those here who believe Crimea should be Ukrainian remain quiet – to say so is to risk a charge of “separatism”, punishable by up to five years in prison. Even reading Ukrainian poems can be dangerous, as Kuzmin found out. Two days after the Shevchenko gathering he organised, he was fired from his job as a history teacher. He had not even waved a Ukrainian flag at the gathering, but was accused of “standing near” the flag and of not stopping others from unfurling flags, including one which said “Crimea is Ukraine”. The headteacher said he had received a phonecall from the authorities and been ordered to fire him. “Some of my colleagues quietly expressed their solidarity and said they were sorry for what had happened to me, though nobody made any kind of public stand,” said Kuzmin. “

## EU nears deal on 315 bln euro plan to tackle drop in investment

Reuters, 11.03.2015



EU finance ministers agreed the details of a 315 billion euro investment plan to help revive the European economy without piling up more debt, and now aim to get the first projects going by the end of the year.

EU lawmakers must now approve the fund. “The plan is the answer we need to confront the main handicap of the European economy: The lack of investment,” said Pierre Moscovici, adding that investment had fallen by 15 to 20 percent. The four-year plan fleshes out a call by Jean-Claude Juncker to back riskier projects from airports to railways and to confront the fall in investment since the financial crisis.

Setting up the European Fund for Strategic Investments (EFSI) has been sensitive, with EU governments fearful of not having their projects chosen from a list of almost 2,000 projects worth 1.3 trillion euros that countries put forward. Some EU lawmakers are wary of favoritism towards western European countries over poorer, eastern European members. Another problem has been that the Commission wanted countries to stump up money for the fund, insisting that it would not be included in debt and deficit calculations. That idea flopped because countries had no guarantee that their projects would be chosen. Instead, countries such as France, Spain and Germany said they would help fund projects in their country via national development banks, and Italy on March 10 promised to contribute 8 billion euros to the Italian projects chosen, via its national promotional bank. There are also doubts whether the plan will attract enough private money, however. Juncker's goal is to have 315 billion euros of largely private new investment by providing 21 billion euros in capital and first-loss guarantees from the EU budget and the European Investment Bank. Under the plan agreed by ministers, the plan will run for four years but will be reviewed after three years to see if it is working.

A steering board made up by the European Commission and the European Investment Bank will oversee the fund, while an eight-member investment committee will choose the projects. The list submitted in December, which officials stress is not definitive, includes plans for housing regeneration in the Netherlands, a new port in Ireland and a 4.5 billion euro fast rail connection between Estonia, Latvia, Lithuania and Poland. Other ideas involve refueling stations for hydrogen fuel cell vehicles in Germany, expanding broadband networks in Spain and making public buildings in France more energy-efficient.

## Euro hits new 11.5-year dollar low as ECB starts bond buying program

AFP, 09.03.2015



The euro dived to a new 11.5-year low against the dollar as the European Central Bank kicked off its radical 1.1-trillion-euro bond-buying program, known as quantitative easing.

Sentiment was also weighed down by concerns over Greece. In Asian trading hours, the shared eurozone unit sank to \$1.0823, last seen in September 2003, having hit a similar low as upbeat US payrolls data boosted expectations for a Federal Reserve rate hike. "Strong U.S. nonfarm payroll numbers punished the euro, but this morning's roll-out of the eurozone's QE program saw the single currency drop even further," said Daniel Sugarman.

In later morning London deals, the euro recovered slightly to stand at \$1.0876, up from \$1.0842 late in New York. The Frankfurt-based ECB announced yesterday that it and the national central banks of the euro area have started buying bonds as part of the long-awaited purchase program to combat the deflation threat. Further details about the purchases, the amounts or whether they were public or private-sector bonds, were not immediately available.

However, Europe's main stock markets sank as investors took profits from last week's ECB-inspired gains. The U.S. Federal Reserve had ended its own QE program in October. "The euro looks likely to remain weak over the coming weeks given that the ECB and Federal Reserve appear on diverging tracks in terms of monetary policy," CMC Markets analyst Michael Hewson told AFP. "With 10 yield spreads between U.S. treasuries and German bunds wider than they have ever been, the prospect of further euro losses towards parity remains a distinct possibility in the coming weeks."

## Egypt investor meet to showcase Sisi's political clout

AFP, 11.03.2015



Egypt hosts a foreign investor conference it hopes will jump-start its battered economy while showcasing international support for President Abdel Fattah al-Sisi as he battles increasingly radical Islamist opponents.

Sisi, a former army chief voted into office after toppling his Islamist predecessor Mohamed Morsi, has positioned himself as a frontline ally in the regional fight against Islamist militants, arguing that his country deserves more international support. "The international economic conference is a reflection of the determination of Egypt and the Egyptians," he told Fox News in an interview broadcast.

"If Egypt is stable -- a country of 90 million people -- this will represent the strongest bedrock of stability in this region," he said, according to an English translation of his comments. The three-day conference has been in the works for months, even as the government tries to stamp out an insurgency in the northern Sinai Peninsula and small-scale bomb attacks in Cairo that have targeted police and foreign companies. US Secretary of State John Kerry, British Foreign Secretary Philip Hammond and several European finance ministers will attend the gathering at the Red Sea resort of Sharm el-Sheikh. "For Egypt this is not an economic event, but rather a political one," one Western diplomat told AFP, speaking on condition of anonymity. "The level of political representation of Western countries will be scrutinised" by Cairo, he said.

The conference comes at a time when Washington, which initially shunned Sisi over his deadly repression of Morsi's Muslim Brotherhood, has been forced to admit that it cannot isolate the biggest military force in the Arab world as the jihadist Islamic State group gains ground in the region. Sisi has called for a unified Arab force to fight IS that has seized territory in Iraq and Syria, and Washington said Kerry and Sisi will meet on the sidelines of the conference to discuss a US-led coalition's air campaign against IS. Sisi is preparing to issue a new investment law removing obstacles to foreign investment, which has declined since a 2011 popular uprising overthrew president Hosni Mubarak. But the government has yet to find a way to end the now almost daily bombings in Cairo and elsewhere, undermining its message of restored stability.

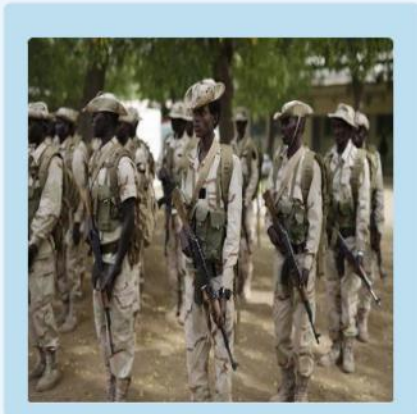
The authorities blame the outlawed Muslim Brotherhood, and accuse it of trying to sabotage the conference. A government crackdown on Morsi supporters since his ouster has resulted in hundreds of deaths and thousands of people imprisoned. An attack at Sharm el-Sheikh was unlikely "given the tight security measures," the Western diplomat said, but an incident elsewhere in Egypt would be equally damaging. "On one side it would attract the media's attention, overshadow the conference, and would send a message contradicting the one Egypt aims to send in the conference, which is the return of peace and stability," he said. "Officials want to make the event the focus of the media to prove to the world that the country is back on the international scene, and that it is safe and ready to receive investors and international economic and political figures."

Eighty countries and 23 regional and international organisations are due to attend, but several officials have sought to lower expectations, saying that no major contract would be signed. "The aim is to put Egypt back on the map of international investment, and send a message to the world that the country is safe and attractive," International Cooperation Minister Naglaa al-Ahwani said. Projects in energy, transport, industry, telecommunications and housing will be offered for foreign investment. "More than 30 projects will be unveiled, which can attract billions of dollars of investment," conference co-organiser economic consultant Richard Attias told AFP.

General Electric, Unilever, British Petroleum, ENI and HSBC are among the conglomerates attending. To win investor confidence, the authorities plan to continue cutting fuel subsidies, which before the 2011 revolt accounted for 25 percent of the budget. Egypt is aiming for economic growth of 4.3 percent in 2015-2016, compared with two percent annually since the anti-Mubarak uprising. The government also aims to cut the budget deficit to 10 percent from 12.8 percent by next year, and reduce unemployment to 12 percent from 13.1 percent.

# Regional troops retake Nigerian town from Boko Haram

AFP, 09.03.2015



Troops from Chad and Niger have retaken the northeastern Nigerian town of Damasak from Boko Haram as part of a regional offensive to combat the militants who have pledged allegiance to the Islamic State group.

Boko Haram had held the town since November, part of a swathe of territory it had seized in Nigeria's northeast, where the group's six-year insurgency has been based. "The offensive has allowed for control to be taken of Damasak," a Chadian security source said. According to the source, some 200 Boko Haram fighters were left dead in the offensive while 10 Chadian soldiers were killed and 20 wounded.

There was however no independent verification of the casualty figures. A hospital source in Niger's Diffa, across the border from Damasak, spoke of 33 soldiers wounded, without providing their nationalities. A Niger official in Diffa also said Damasak had been retaken after heavy fighting. The offensive, which followed a sustained build-up of troops in southern Niger, opened up a new front in regional efforts to wipe out the Islamist group, whose six-year insurgency has spread across borders. It also came after Boko Haram leader Abubakar Shekau pledged allegiance to the Islamic State group in Iraq and Syria in an audio message at the weekend. More than 200 vehicles, some of them with machine guns, as well as tanks, ambulances, water tankers and transport trucks, were seen moving towards the border, Diffa-based radio station Anfani reported. Aircraft targeted Boko Haram positions it added, while a Diffa resident and aid worker said that troops were seen heading to the border and heavy gunfire was heard.

More than 13,000 people have been killed and some 1.5 million made homeless in the Boko Haram conflict since 2009, while recent cross-border attacks have increased security fears. The African Union endorsed the creation of an additional regional force of up to 10,000 men to join the fight against Boko Haram. The regional coalition already operating has given renewed vigour to the previously lacklustre counter-insurgency against Boko Haram. Before the weekend offensive, regional forces had been particularly active in the Gamboru area of Nigeria on the border with Cameroon. The borders of Nigeria, Chad, Niger and Cameroon converge in the region around Lake Chad.

The armies have claimed a series of successes in rebel-held territory in recent weeks, as part of an operation to clear and control northeast Nigeria in time for Nigeria's general elections set for March 28. Much of the focus has been on Chad's well-trained army, who have experience in tackling Al-Qaeda-linked extremists in Mali alongside French forces. But Chris Olukolade, spokesman for the Nigerian military, has said the Niger and Chad assaults were "complementary to (Nigeria's) ongoing push against the terrorists". Nigeria's military did not respond to messages. With Shekau's pledge of allegiance to the Islamic State at the weekend, the Nigerian militants joined extremists from Libya to Pakistan who have previously done the same. While some saw it as a propaganda stunt, there were also concerns about whether the move could eventually lead to deeper links between Boko Haram and foreign jihadists. Some experts also said the pledge of allegiance to the IS group, which is also being forced on the defensive in Iraq, could be a result of the military pressure.

## Kazakhstan strongman confirms candidacy for snap presidential poll

AFP, 11.03.2015



**Strongman Kazakh leader Nursultan Nazarbayev confirmed his candidacy for snap April 26 presidential elections that he is expected to win by a landslide.**

Nazarbayev, who has ruled energy-rich Kazakhstan since independence from the Soviet Union in 1991, accepted the nomination from his ruling party and pledged to tackle economic difficulties sparked by the financial slump in neighbouring Russia and fall in oil prices. "On the basis of our successes we should move forwards. For this reason I speak before you and will agree to put forward my candidacy with one aim to offer you new challenges," he told delegates.

Nazarbayev, 74, faces no meaningful competition, and many of the 15 candidates that have so far registered with the country's Central Election Commission to face him will struggle to collect the signatures of one percent of the total electorate -- a requirement to contest the ballot. Kazakhstan's energy-dependent economy has been buffeted by the shockwaves from the Ukraine crisis and the slump in the price of oil. Hours before announcing his candidacy, Nazarbayev asked wealthy Kazakhs to transfer their foreign-held savings back to Kazakhstan and reiterated a request for Kazakh consumers to buy local produce. The weakening of the Russian ruble, which lost half its value against the dollar in 2014 had led to "serious competition" for local producers, he said. While warning of future "difficulties" Nazarbayev ruled out a repeat of last year's shock 19 percent devaluation of the Central Asian country's national currency the tenge in a speech to the government last month. Kazakhstan has been forced to restructure its state budget for the next two years to account for the steep fall in prices for crude oil, the country's main export, in the second half of 2014.

# Kerry calls for US war powers to strike ISIL

AFP, 11.03.2015



John Kerry urged lawmakers to give President Barack Obama updated war powers to go after Islamic jihadists at “a pivotal hour” in the battle against the militants.

“Our nation is strongest when we act together and we simply cannot allow this collection of murderers and thugs to achieve its ambitions,” Kerry told. He said ISIL which has captured a swath of land in Iraq and Syria wanted to ensure “the death or submission of all who oppose it” as well as “the incitement of terrorist acts across the globe.” Appearing at the Senate foreign relations committee called for a united vote in favor of a new authorization for use of military to IS.

Tantamount to a declaration of war, the authority would provide Obama political cover at home and a firmer legal basis on which to prosecute the fight, particularly among allies abroad who have joined a US-led international coalition. So far, the Obama administration has used the existing authorization for use of military force against Al-Qaeda, the Taliban and their branches approved in the days after the September 11, 2001 attacks as the legal justification for going after ISIL.

“The president already has statutory authority to act against ISIL, but a clear and formal expression of your backing would dispel any doubt anywhere that Americans are united in this effort,” Kerry said, using another acronym for the group. He urged the divided body to come together and “speak with a single powerful voice.” Carter stressed the new resolution would expire in three years and “wisely does not include any geographical restriction because ISIL already shows signs of metastasizing outside of Syria and Iraq.” “I cannot tell you our campaign to defeat ISIL will be completed in three years,” Carter said, but including a so-called “sunset clause” would give the next president and “the American people the chance to assess our progress” at the end of that period.

# Announcements & Reports

## ► *European Central Bank Quantitative Easing: The Detailed Manual*

**Source** : Bruegel

**Weblink** : <http://www.bruegel.org/publications/publication-detail/publication/872-european-central-bank-quantitative-easing-the-detailed-manual/>

## ► *The Real Strategic Goal in Iraq and Syria: How Do You Bring Lasting Stability?*

**Source** : CSIS

**Weblink** : <http://csis.org/publication/real-strategic-goal-iraq-and-syria-how-do-you-bring-lasting-stability>

## ► *India's Defense Budget is Inadequate for Military Modernization*

**Source** : CSIS

**Weblink** : <http://csis.org/publication/indias-defense-budget-inadequate-military-modernization>

# Upcoming Events

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

**Date** : 14 March 2015

**Place** : London – United Kingdom

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

## ► *Creating an Effective Financial System*

**Date** : 14 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** : 15 march 2015

**Place** : Texas – USA

**Website** : <http://bakerinstitute.org/events/1695/>

### ► *Data-driven Government: A New Approach to Governing*

**Date** : 16 march 2015  
**Place** : Washington – USA  
**Website** : <http://www.brookings.edu/events/2015/03/11-data-driven-government-omalley>

### ► *Innovation in Funded Pensions in Europe*

**Date** : 16 March 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/505-innovation-in-funded-pensions-in-europe/>

### ► *A Fresh Start for T-TIP: Strategies for moving forward*

**Date** : 18 March 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/508-a-fresh-start-for-t-tip-strategies-for-moving-forward/>

### ► *Competition Policy: the Japanese experience*

**Date** : 24 March 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/492-competition-policy-the-japanese-experience/>

### ► *Innovation Forum 2015*

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