

Turkey's foreign trade deficit narrows in June due to oil plunge

Hurriyet Daily News, 31.07.2015



Turkey's foreign trade deficit fell 21.6 percent in June from the same month in 2014 and 16.43 percent in the first half of the year from the same period in 2014, improvement for three months in a row, data from TÜİK showed.

"In June, exports were down 6.9 percent to \$11 billion, and imports dropped 12.5 percent to \$18.2 billion year-on-year," the report said. The foreign trade deficit narrowed to \$6.2 billion, an improvement of 21.6 percent from \$7.9 billion in June 2014. Turkey's energy imports contracted by 26.4 percent in June to \$3.32 billion and by 24.6 percent to \$20.6 billion in the first half of year compared to the previous year.

Exports to the European Union, Turkey's largest trading partner, were down 6.6 percent. The main partner for exports was Germany at \$1.4 billion. Germany was followed by the United Kingdom at \$800 million, Iraq at \$690 million and Italy at \$600 million. The top providers of Turkey's imports were China at \$2 billion, Germany at \$1.9 billion, Russia at \$1.75 billion and Italy at \$1 billion. Turkey's exports decreased 8.1 percent in the first half of the year to \$73.26 billion from the same period of 2014, due to the negative effects of parities on exports and geopolitical risks in neighboring countries, the Turkish Exporters' Assembly (TİM) announced.

Turkey's tourism income decreases 14 pct amid security concerns

Reuters, 31.07.2015



Turkey's tourism income decreased by 13.8 percent in the second quarter of the year, down \$7.73 billion compared to the same period of the previous year, according to data from the Turkish Statistics Institute (TÜİK). Rising security concerns due to the possibility of Islamic State of Iraq and the Levant (ISIL) attacks as well as other geopolitical risks, like the contracted Russian economy, have played a role in the decrease, according to sector representatives.

While foreign tourists spent an average of \$911 per capita in the first quarter, this figure decreased to \$719 in the second.

The tourism income was around \$4.87 billion in the first quarter of the year, a 1.3 percent increase from the same period of 2014. According to data from the Tourism Ministry, the number of Russian tourists visiting Turkey decreased to 1.45 million in the first half of the year from 2 million in the same period of 2014. The number of foreign tourists from France also decreased by 22.3 percent, with the number from Italy decreasing by 19.5 percent, in the first half of the year, compared to the previous year.

The highest number of tourists came from Germany in the first half of the year, with around 2 million, followed by Russia, with 1.45 million, and Britain, with around 950,000, according to the ministry's data. The head of the Hoteliers Association (TUROB), Timur Bayındır, told Reuters in May that the decrease in Russian tourists was expected to continue in the coming months, while Western tourists were concerned by ISIL in the region. Before the geopolitical risks rose to unprecedented heights, industry representatives set tourism income for the year at around \$30 billion to \$35 billion. This figure, however, is now expected to decrease with the rising security concerns. The net tourism income financed around 53 percent of the country's current account gap at \$46.5 billion in 2014.

Central Bank Head: Turkey has 'no fear' of a Fed rate hike

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Central Bank Governor Erdem Başçı said Turkey has no fear of a planned interest rate hike by the U.S. Fed and the bank is ready for normalization. "Turkey has no need to fear a Fed rate hike, which could come in September as the Fed's communications are very positive and the TCB has taken the required measures. Finally, we'll overcome any concerns with the simplification document in our rate policy," he said to announcing the bank's quarterly inflation report.

Başçı said bank was carrying out technical work to assess impact of monetary policy based on a single interest rate and may review its policy framework if circumstances require.

It may also review its reserve option mechanism. He added the reserve rations paid to Turkish banks may be increased up to the Fed level. Başçı signaled at possible moves to simplify monetary policy in a scenario in which fluctuations in the long-term rates slow down permanently after normalization process starts in global money markets. "In this base-scenario, the need for a wider rate corridor will also decrease in Turkey as well. We'll then consider simplifying the operational framework of the rate policy in a gradual manner," he said. This will be a technical work and the details of the document will be shared in the coming weeks, he said.

“Nobody should expect an early loosening or excessive tightening from us. We will go to the August meeting with plans for moderate tightening,” Başçı said. The Central Bank slightly raised its inflation forecast for the end of 2015 and said it expected moderate economic growth in the second half, along with an improvement in the current account deficit. Başçı said the bank’s mid-point year-end inflation forecast now stood at 6.9 percent, up from 6.8 percent in its last report. It left its 2016 mid-point forecast at 5.5 percent. He forecast inflation below 7 percent this month, with a decline in food prices contributing positively to the inflation outlook, but that keeping it there would require a joint effort by economic policymakers and not just the Central Bank.

“Inflation will keep falling until September and then fluctuate until the end of the year,” he said. Başçı said that the loss in the Turkish Lira’s value against the dollar has delayed improvement in inflation. Domestic consumption in Turkey is rising moderately, and not on the basis of consumer credit, Başçı pointed out. Başçı said Turkey’s exports to the European Union have been increasing, but the bank has been closely following the possible effects of the geopolitical risks over exports. He noted that Turkey would close the year with growth rates that may be lower than the previous targets, but in a positive manner. “Moderate growth will continue in the second half. The demand conditions will support the consumer index. Improvement in the current account gap will continue, but the foreign demand will limit the improvement,” he said, adding the bank is down in its average oil price assumptions.

Official: Turkey revises telecommunications tender to make transition to 4.5G

Hurriyet Daily News, 30.07.2015



Turkey did not cancel a planned 4G tender, but will make a 4.5G tender on Aug. 26, a high-level official from the Information and Communications Technologies Authority (BTK) has told Anadolu Agency. The official refuted several claims on some media outlets about the cancelation of the planned 4G tender upon President Recep Tayyip Erdoğan’s harsh criticisms of 4G technology.

“The 4G tender has not been cancelled. A tender will be held upon some revisions in the specifications on Aug. 26 for updated technologies, dubbed 4.5G technologies,” said Acting BTK President Ömer Fatih Sayan.

The planned tender for 4G Internet technology was delayed for three months by the BTK in May. The announcement followed Erdoğan's harsh criticism of 4G technology, saying Turkey should skip directly from 3G to 5G in two years. "It is not necessary to waste time with 4G technology. We need to move to 5G technology instead in two years," Erdoğan said April 21. "The world is talking about 5G technology right now. We are still at 3G," he added. Technology experts suggested, however, that such a rapid transition was impossible. Sayan said a number of changes have been made in the tender specifications, which are now being distributed to telecommunications firms, to increase the level of domestic research and development elements in the sector. "With these changes, Turkey will start to use 4.5G technology in April next year, paving the road for a possible transition to 5G technology with much more domestic means," he said. "We plan to enable Turkey to become one of the first countries that make a transition to 5G technology," he added. In the tender, 20 separate frequency segments were said to be sold at a minimum value of around 2.3 billion euros (\$2.45 billion) according to the previous tender announcement. With the changes in the tender specifications, the use of "IMT-Advanced" technologies is set as a must for the new telecommunications infrastructures, according to Sayan.

While the frequency assigned to mobile network operators is 183 MHz, this figure will rise to 573 MHz with the new frequencies after the tender. "After operators are authorized to use new frequencies, they must extend coverage range to 95 percent of Turkey's population in the next eight years," he said. The new addendum also obliges mobile operators to have at least 30 percent domestic product utilization in the first year, 40 percent in the second and 45 percent in the third. "These rates were 3, 8 and 15 in the previous addendum," Sayan said, underlining the importance of local technology production. The number of R&D employees will also increase by 50 percent in the sector, said Sayan.

Annual print media circulation falls by 7.6 percent

Hurriyet Daily News, 30.07.2015



The annual circulation of newspapers and magazines published in Turkey fell by 7.6 percent in 2014 compared to the previous year, according to data released by TÜİK.

The number of newspapers and magazines dropped to 7,120 in 2014, with 58.7 percent of them magazines, according to the Print Media Statistics Report of TÜİK. The report said the reason for the decrease in the total circulation was related to a relative drop in the volume of local newspapers. Some 89 percent of the published newspapers in 2014 were local, 4.9 percent of them were regional, and 6.2 percent were national publications, the data showed.

The national publication share is much higher for magazines than for newspapers, according to the data. At least 55 percent of the entire magazines were national, while 38.2 percent were local and 6.6 percent were regional out of all magazines published in 2014, according to the data. More than half of the annual circulation of magazines came from monthly publications. Some 54.5 percent of all magazines were published monthly in 2014, while 16.9 percent of published magazines the same year were weekly publications. TÜİK's statistical data revealed that daily newspapers made up 90.2 percent of the entire annual circulation.

IMF warns Turkey of low net int'l reserves, high short-term debt stocks

Hurriyet Daily News, 29.07.2015



Turkey's external position was weaker than the level consistent with medium-term fundamentals and given large financing needs and short-term nature of capital inflows, Turkey remains vulnerable to capital flow reversal, said the International Fund in an analysis about countries' external sector report for 2015.

"Developments so far in 2015 suggest some strengthening of the external position in Turkey, mainly due to terms of trade gain from lower oil import prices. However, net international reserves are still low, and the NIIP will continue to deteriorate until the current account deficit is narrowed," said the IMF.

"Moreover, given large financing needs and short-term nature of capital inflows, Turkey remains vulnerable to capital flow reversal," it added. Gross external financing needs are estimated at over 25 percent of GDP in 2015, making Turkey vulnerable to changes in global market conditions, according to the IMF. Reducing further the current account deficit is necessary to diminish vulnerabilities and monetary policy should keep real interest rates solidly in positive territory, said the IMF.

"The Central Bank should increase net international reserves, limiting foreign exchange intervention to smoothing periods of excessive volatility. Structural reforms aimed at increasing private sector saving, including pension reform, are needed to enhance private saving and allow high growth with a sustainable current account deficit. These reforms should be supported by fiscal policy tightening over the medium term to increase public saving," it added.

Smart labels to come online in Turkey soon

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Smart labels on food products will come online in shops and supermarkets across Turkey after a series of cancelations and delays on Dec. 31, with the aim of bringing food products sold in the country up to EU standards. The new system will be important to ensure food safety and hygiene standards, in addition to reducing the number of counterfeit products.

In the first stage, the system will be available in the product groups which are more susceptible to counterfeiting, including honey, energy drinks, black tea, vegetable oil and baby food, according to data from the Packaging Industrialists' Association (ASD).

"Making food products traceable through the system will enable consumers to be protected against counterfeit food products, which are quite harmful to health, and to take accurate information of what they eat and drink. The system will also play a role in the fight against the informal economy," said ASD President Sadettin Korkut, in a written statement. There will be two numbers on the mentioned products at the first stage; one is open and another is closed. The closed number will be used by consumers to question through the internet, mobile applications, SMS or voice mail systems if the product is safe for use. The label will give all the details about the product, from its production to its transportation to the shop, expiration dates and ingredients. Korkut said the system must be applied in a gradual manner, as there are some risks which may occur during a sudden transition. "If the necessary planning is not made, packaging prices may rise in the first stage. This will push food prices up. In this case, consumers may choose to buy unpackaged products, which are cheaper but unhealthier. Therefore, the transition to the new smart labeling system must be in a planned in way with the involvement of all players to prevent such risks," Korkut said.

Spokesman: İncirlik ready for operations against ISIL

Hurriyet Daily News, 30.07.2015



Turkey's strategically placed İncirlik airbase in Adana is ready any time for airstrikes by coalition forces against the ISIL now that a cabinet motion has gone into effect, a Turkish official has said. "İncirlik airbase can be used at any moment when considered necessary," Foreign Ministry spokesperson Tanju Bilgiç said, noting that military officials in both countries are conducting talks about upcoming operations.

Turkey and US have not signed any "written documents" on opening of Turkish airbases for the use of coalition forces, but the consensus was put into effect after the finalization of signatures for a cabinet motion, Bilgiç said.

The deployment of foreign military personal in Turkey regarding the deal to open up airbases is based on a 2014 parliamentary motion that gives authorization to the government to allow foreign troops to use Turkish territory, including military bases. Two weeks ago, Ankara and Washington have agreed to deploy manned and unmanned aircraft belonging to coalition forces in the strategic military base as part of its aerial campaign against jihadist positions. There has been no U.S. manned aircraft deployed at the İncirlik airbase yet, a Turkish official told the Hürriyet Daily News. The U.S. earlier deployed six predators, two of them armed, at İncirlik. As part of the deal, Ankara also reserved the right to restrict some anti-ISIL coalition countries from using Turkish airbases, according to the official who cited bilateral strains with some countries in the region. There are three available military airbases in Turkey in addition to İncirlik, including others in Diyarbakır, Batman and Malatya in eastern and southeastern Turkey.

There is no clause in the Turkish-U.S. agreement to use Turkish airbases to aid Syrian Kurdish fighters in their battle against ISIL, he said. "Support to People's Protection Units (YPG) is not one of the elements of the agreement," he told reporters, stressing that the consensus is just for the struggle against ISIL. Bilgiç's remarks came after U.S. State Department Spokesperson John Kirby's statement that the U.S.' access to bases in Turkey will "allow air support to the YPG to be more timely and effective." The YPG is the military wing of the Democratic Union Party (PYD), which controls the cantons of Rojava. Kirby's statement "does not implicitly reflect" the consensus with the U.S., Bilgiç said.

Meanwhile, a visit to Turkey by U.S. Deputy Secretary of State Antony Blinken on has been postponed due to private matters of the U.S. official. Turkish officials will also attend a meeting of a small group in the anti-ISIL coalition in Canada. Meanwhile, Turkey does not plan to ask for further military support from NATO for the protection of its borders, the spokesperson also said. Turkey informed NATO allies about its cross-border operations against the outlawed Kurdistan Workers' Party (PKK) in Iraq and ISIL targets in Syria, but Ankara does not have any further expectation from the alliance for now, Bilgiç said.

Turkey disappointed by Iraqi PM's criticism of airstrikes against PKK

Hurriyet Daily News, 31.07.2015



The Turkish Foreign Ministry has expressed its disappointment over the Iraqi prime minister's reaction to the Turkish military's aerial operations in northern Iraq. A written statement the Foreign Ministry recalled Turkey's struggle against ISIL and noted the Iraqi government was aware of Ankara's will on the issue, which encouraged neighborhood relations between the two countries.

"Nevertheless, the Iraqi government's negative attitude about Turkey's steps taken within international law against being exposed to terrorist attacks and operations against the PKK in Iraqi borders is disappointing," read the statement.

"It is obvious that many armed PKK militants have been sheltered inside Iraqi territory for years, although the Iraqi government promises not to allow any attack from Iraqi lands into Turkey," said the ministry, adding the Iraqi government cannot fulfill this commitment. It was not possible to accept and understand the opposing attitude of those who can't control their border, and whose lands are one-third controlled by a terrorist organization, it said. Iraqi Prime Minister Haider al-Abadi had earlier criticized the airstrikes launched by the Turkish military on PKK hideouts in northern Iraq. The airstrikes have created dangerous tension and posed a threat to Iraq's territorial integrity, al-Abadi had posted on his Twitter account.

Turkey seeks Chinese incentive for lingering missile program

Hurriyet Daily News, 28.07.2015



Turkish President Recep Tayyip Erdoğan visits China, a leading trade partner, with a loaded agenda where he will seek incentives for an assertive missile defense program on the bargaining table.

"The People's Republic of China has been the country that placed the most feasible bid for ballistic missiles," Erdoğan said, during press meeting in Ankara before he left for the Asian giant. "Then came some developments and some disruptions were faced on these developments. In this visit, we will reconsider these issues," he said.

Turkey, a NATO member, had put off its final decision on a disputed, multi-billion dollar contract for the acquisition of the country's first long-range air and anti-missile defense system to a date after the June 7 elections. As no parties gained a parliamentary majority at the elections, the date for a final decision still remains unknown. Contract negotiations with the Chinese manufacturer, China Precision Machinery Import Export Corp (CPMIEC), are in progress but Erdoğan said talks were also opened with Eurosam, the European contender in the program. A U.S. partnership of Raytheon and Lockheed Martin was a third bidder. The China visit follows a diplomatic spat between Beijing and Ankara following the relocation of around 180 Uighur Turks held at detention centers in Thailand to Turkey, and the subsequent sending of 109 Uighurs to China. The Uighur were from a group of around 350 people who had been detained in Thai immigration centers for around two years. The Uighurs have been at the center of a diplomatic tug-of-war, with China identifying the Muslims as from northwestern Xinjiang, while Turkey has welcomed them as its own. Turkey has also expressed concerns that Muslims in China have been denied their right to fast during the Ramadan period - a suggestion that China has denied. Following the China visit, Erdoğan will also visit Indonesia, the statement said. He will meet Indonesian President Joko Widodo and also participate in the Turkey-Indonesia Business Forum during the visit.

ISIL claims car bomb in Yemen capital, three dead

Reuters, 29.07.2015



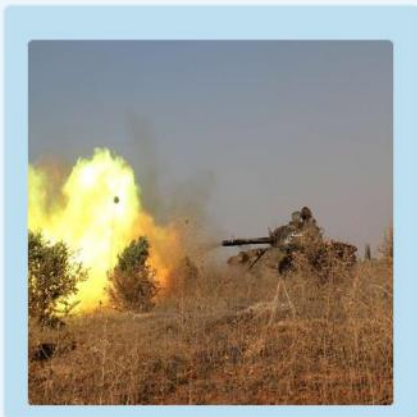
A car bomb exploded outside an Ismaili mosque in an eastern district of the Yemen's war-damaged capital Sanaa, killing three people and wounding seven, a security source said.

The Islamic State of Iraq and the Levant (ISIL) claimed responsibility for the attack on the Al Faydh Alhatemy mosque in the Nuqum district, describing it as revenge for what it called Ismaili support for Yemen's dominant Houthi movement. Ismailis are a minority Shi'ite Muslim sect, as are the Zaydi Shi'ites, a community whose interests the Houthi group says it defends.

The blast was the second bombing in Sanaa in three days. A bomb exploded underneath a passenger bus in the southerly Dar Selm area, killing three people and wounding five. No one has claimed responsibility for that blast, but a number of previous such explosions in the city and elsewhere in Yemen have been claimed by ISIL in recent months. The Houthis, backed by army units loyal to former president Ali Abdullah Saleh, have been fighting a four-month-old war against a Saudi-led Arab coalition that has been seeking to restore to power exiled President Abd-Rabbu Mansour Hadi.

Israel PM approves 300 settler homes in occupied West Bank

AFP, 29.07.2015



Israeli PM Netanyahu approved the “immediate” construction of 300 settler homes in the occupied West Bank as his government came under pressure from right-wing Jewish groups. Settlements in the West Bank are viewed as major impediments to peace negotiations with Palestinians, who see the land as part of a future independent state, and Western nations have called on Israel to halt such projects.

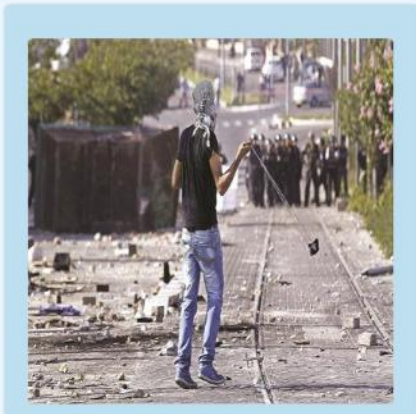
The decision comes amid already strained relations between Israel and US, over the recent nuclear deal with Iran, but Netanyahu is also under pressure to hold together his one-seat majority in parliament.

Palestinian officials had not immediately reacted to the announcement, but they have previously strongly condemned such moves. “After consultations in the prime minister’s office, the immediate construction of 300 homes in Beit El has been authorised,” a statement from Netanyahu’s office said, adding that planning for another 504 homes in annexed East Jerusalem had also been approved. According to the statement, the 300 units in the West Bank had been promised three years ago following the demolition of other homes in the Beit El settlement. The approval came after the Israeli High Court earlier upheld a demolition order for two structures being built illegally in Beit El. The planned demolition had drawn protests from settler groups who clashed with police at the site. Netanyahu had said he opposed the demolition of the housing units under construction.

Right-wing members of his government also spoke out strongly against the demolition, and Education Minister Naftali Bennett addressed protesters at the site. He immediately hailed the decision on new construction announced by Netanyahu’s office. “This decision is a Zionist response,” Bennett, of the right-wing Jewish Home party, said in a statement. “This is the way in which we will build our country.” The prime minister holds only a one-seat majority in parliament following March elections and settler groups wield significant influence in his government. Israeli settlements in the occupied West Bank are considered illegal under international law, though not by the Israeli government. They are seen as further complicating peace negotiations aimed at leading to an independent Palestinian state. Talks have been stalled since last year. The two buildings being demolished in Beit El were reportedly on private Palestinian land that was seized by the army in the 1970s. Several hundred protesters clashed with police - as authorities took control of the buildings, then again - as demolition started. Police used water cannon to push back protesters and detained a number of people, an AFP photographer reported. In a separate incident, several hundred people illegally entered the former Sa-Nur settlement in the northern West Bank. Israel had evacuated the settlement in 2005. Israel seized the West Bank in the 1967 Six-Day War and nearly 400,000 Jewish settlers currently live there.

Monitor: Syria air strikes hit Nusra after attack on Western-backed rebels

Reuters, 31.07.2015



Warplanes believed to be part of a U.S.-led alliance struck Nusra Front positions in northern Syria following an attack by the al Qaeda-linked group on Western-backed rebels in the area, a group tracking the war said. The Syrian Observatory for Human Rights, a UK-based group that reports on the war, said the air strikes hit Nusra Front positions near the town of Azaz, north of Aleppo.

Overnight, the Nusra Front had launched an attack in the area targeting rebels including a group said by opposition sources to have been trained under a U.S.-led programme to build a force to fight ISIL, the Observatory reported.

The rebel group, known as Division 30, said Nusra Front fighters attacked its headquarters at 4.30 am. Five members of Division 30 were killed as they held off the attackers, it said. The group has accused the Nusra Front of abducting its leader and several other members earlier this week. Syrian opposition sources say members of Division 30 have been trained under the U.S.-led train and equip programme launched in May. The Pentagon has however cast doubt on the report, saying that no members of the "New Syrian Force" had been captured or detained. The Nusra Front, which Washington has designated a terrorist organisation, has a track record of crushing U.S.-backed rebels in Syria. Last year, it routed the Syria Revolutionaries Front led by Jamal Maarouf, viewed as one of the most powerful insurgent leaders until his defeat. It was also instrumental in the demise of the U.S.-backed Hazzm Movement, which collapsed earlier this year after clashing with the Nusra Front in the northwest. Washington and Ankara this week announced their intention to provide air cover for Syrian rebels and jointly sweep ISIL fighters from a strip of land along the border, with U.S. warplanes using bases in Turkey for strikes.

Greek Cyprus and Israel agree to strengthen ties on energy, security

Reuters, 28.07.2015



Israel and Greek Cyprus agreed to expand their cooperation on energy issues, including the use of pipelines and electricity grids to link to European markets, as both countries develop natural gas fields off their coasts. Israeli Prime Minister Benjamin Netanyahu and Greek Cypriot President Nicos Anastasiades said they would seek to tap the potential of natural gas in the sea bed beneath both countries.

“There is palpably renewed energy in our relationship, I mean that figuratively and literally,” Israeli Prime Minister Netanyahu said.

“... We think that by cooperating with each other we can take it out more easily, we can market it better, to the betterment of both our societies.” Israel has reported some of the largest natural gas discoveries worldwide in the past decade. Greek Cyprus found gas offshore in 2011. Netanyahu said the two countries were exploring various options on collaboration, but did not elaborate. Anastasiades said among the options were an east Mediterranean pipeline and the Eurasia interconnector, a private project to transport to Europe electricity powered by natural gas. “With the Prime Minister, we agree exploration and exploitation of hydrocarbon assets is a sovereign right that is instrumental in the wider regional context and as part of a reciprocally beneficial relationship,” Anastasiades said.

Netanyahu said the two countries would also explore tightening security cooperation. Last month, a Lebanese man was jailed in Greek Cyprus on charges of hauling ammonium nitrate on the island, which both countries blamed on a plot by the Islamist group Hezbollah. “We want to achieve peace, peace depends on security and ultimately if you don’t have the capacity to defend that peace it collapses very rapidly in our area,” Netanyahu said. Although Greek Cyprus is considered sympathetic towards Palestinians, its relations with Israel have grown in recent years. Anastasiades and Netanyahu enjoy particular rapport, with Anastasiades referring to the Israeli Prime Minister as his “dear friend Bibi” at least once.

Greek PM warns hardliners with snap vote to approve reforms

AFP, 29.07.2015



Greek Prime Minister Alexis Tsipras said he would hold early elections if hardliners in his party continued to resist an unpopular new bailout deal that promised debt relief. "If we do not have a parliament majority I will be forced, we will be forced to hold elections," Tsipras said in a two-hour interview with Sto Kokkino radio.

He added that under the terms of the European Union - IMF agreement signed, Greece after November could expect a reduction of its huge public debt in addition to up to 86 billion euros (\$95 billion) in funds, following a first assessment of reforms.

Tsipras faces strong resistance from a sizeable faction of his leftist Syriza party that rejects the new bailout as contrary to the government's anti-austerity promises. In response, the 41-year-old premier has called for an emergency party congress to confirm the government's strategy, adding that this would "to a great extent" determine whether early elections will have to be held to take the country forward. "I would be the last person to want elections if I had a guaranteed parliamentary majority on a plan to complete (my) four-year term... That includes completing the (rescue) program," he said.

Earlier this month, Tsipras saw more than 30 of his 149 lawmakers mutiny in two separate votes in parliament to approve tax hikes, a pension overhaul and administrative reforms tied to the bailout, effectively rendering his coalition a minority government. He said he faced "surreal" behavior from some of his party cadres who claimed to support the government while voting against the measures to preserve their "ideological purity". Tsipras said the Syriza congress would probably be held in September. A possible demand by hardliners for a party decision before the bailout agreement is finalized and ratified by parliament was tantamount to "making the bomb explode in (my) hands," he said. The main challenge to Tsipras comes from his party's euroskeptic wing, headed by 63-year-old former senior Communist Panagiotis Lafazanis. Lafazanis, who was ousted as energy minister this month after publicly opposing the bailout deal, is believed to control around a third of the party.

Tsipras seeks Greek ruling party members' vote on bailout

Reuters, 30.07.2015



Greek Prime Minister Alexis Tsipras called on his divided Syriza party to ballot its members on whether Greece had any alternative to accepting a tough bailout, setting up a showdown with far-left rebels threatening to split the party.

Greece narrowly averted an exit from the euro zone for now when it struck an 11th-hour deal with lenders this month, but that cost Tsipras the support of a quarter of his lawmakers who accuse the party of betraying its anti-austerity roots. In a defiant speech to the party's central committee, Tsipras said his preference was for Syriza to hold an emergency congress to calmly deliberate strategy for the medium and long term.

But he said some in the party were demanding an immediate solution in the belief that ditching the bailout offer from creditors was a viable one, and suggested that be addressed with a snap vote by party members on Sunday. He referred to the proposal as a "referendum" within the party, although it would be a vote by Syriza members rather than the general public, as took place when Greeks voted to reject an earlier bailout proposal. "We are telling the Greek people loud and clear and with no remorse that this is the deal we managed to bring to them and if there is someone who thinks that they could have achieved a better deal, let them come out and say that," Tsipras told the assembled members, who included dissenters like parliament speaker Zoe Konstantopoulou.

"If anyone thinks that Tsipras and Syriza refused a better alternative for the people, they should come out and say that." The vote in three days - which must be called by the central committee if it is to be held - effectively throws down the gauntlet to the Left Platform of the party, which has become increasingly vocal in its defiance of Tsipras. The deepening crisis within Syriza is the most serious political challenge to the prime minister, who otherwise enjoys unrivalled domination of Greek politics and remains popular despite his sudden U-turn to accept stringent bailout terms. Failure to assert his grip on Syriza and quash the far-left revolt could plunge Greece back into turmoil and risk derailing talks with European and International Monetary Fund lenders on a new 86 billion euro aid package to keep Athens afloat. The roughly 200 members of Syriza's central committee must decide whether the party ought to hold a regular or emergency congress or a ballot of members to redefine the its strategy. "At the moment there are two different strategies competing in the same party - one that wants Greece inside the euro and the other that wants Greece outside euro," Olga Gerovasili, the government spokeswoman told reporters as she arrived. "These two can't exist together at the government level." The hardline Left Platform faction is demanding Syriza abandon talks with lenders immediately and hold an ordinary party congress to determine the party's course. A regular congress would favour the far-left, with the same members who attended two years ago returning to vote on Syriza's future.

Tsipras would benefit from an emergency congress, which would enable him to bring in new Syriza members and capitalise on the wider public support he has secured over the past two years, making it easier to defeat the far-left camp. Forced to rely on opposition support in parliament to pass austerity and reforms packages, Tsipras is widely expected to call early elections to consolidate his grip on the party once he has agreed the third bailout package with lenders. His government wants to wrap up negotiations with lenders on that package in time for a major debt payment due on August 20, before moving on to sorting out his party's troubles. "Our priority is the (bailout) deal," Gerovasili said. "After this we can deal with party issues." Negotiations with officials of the European Commission, the European Central Bank, the IMF and the euro zone's rescue fund, the European Stability Mechanism, were continuing discreetly in Athens on Thursday.

French Police: One dead as migrants try to storm Eurotunnel terminal again

Reuters, 28.07.2015



The sharp decline in Russia's economy may have almost run its course, official data showed, slowed by a huge devaluation of the ruble and heavy government spending on anti-crisis measures. Recovery prospects are cloudy, however, with many analysts warning of a sluggish rebound at best. The economy has slumped as a result of Western sanctions linked to the Ukraine conflict and last year's collapse in the price of oil. But the decline now appears to be arrested.

Gross domestic product continued to decline in year-on-year terms in June, 4.2 percent compared with 4.8 percent in May.

The figure tallies with other recent data, leading analysts to conclude the decline is close to a bottom - a silver lining to data which still show most macroeconomic indicators sharply down compared with a year earlier. "It is kind of premature to speak about the recovery in sequential terms, which actually lies ahead," said Alexander Isakov, economist at VTB Capital in Moscow. "But in terms of year-on-year comparisons - the headline figure that everybody focuses on - we are bottoming out."

Uncertainty about the pace of any recovery is reflected in official forecasts, which present sharply divergent views. The Economy Ministry predicts the economy will grow by 2.3 percent next year after a 2.8 percent decline this year. In contrast, Russia's central bank sees the economy growing by only 0.7 percent next year after declining 3.2 percent this year. Economists polled by Reuters expect 0.5 percent growth next year after a 3.5 percent contraction this year. Optimists emphasize the huge boost to competitiveness caused by the devaluation of the ruble, which has declined by 40 percent against the dollar over the last year.

While the initial impact of the ruble decline was to boost inflation, cutting into consumer spending, there is little sign of it becoming entrenched through higher wages. Nominal wage growth - 7 percent in June - has been running at less than half the headline inflation rate of 15.3 percent. The resulting cut in labor costs means that these are now comparable to China's, analysts at Renaissance Capital say, boding well for competitiveness. Evidence that the devaluation has played a key role in arresting the economic decline is provided by data on industrial profitability and wages, which shows sectors producing tradable goods strongly outperforming, VTB Capital's Isakov said.

"In terms of timing, and judging by the other indicators, we are closely following the path of the recovery of the previous crisis," he said. Previous Russian economic crises in 1998 and 2008 were both followed by quick recoveries, with devaluations of the ruble playing a key role each time. But some analysts are skeptical about this policy's effectiveness in the medium term. "We see a risk that the policy of a weaker exchange rate will preserve the old structure of the economy," Morgan Stanley says, referring to Russia's over-reliance on commodity exports and its lack of high-tech industries. The weaker ruble helps export-oriented commodity sectors, but may impede the growth of high-tech sectors that rely heavily on imports. Other analysts emphasize the supportive role played by the government. But there are also major questions about the ability of the state to keep supporting the economy by dipping into its dwindling fiscal reserves.

French Police: One dead as migrants try to storm Eurotunnel terminal again

AFP, 29.07.2015



Migrants desperate to reach England made at least 1,500 attempts to enter the Eurotunnel terminal overnight in the French port town of Calais, a police source told AFP, adding that one man was found dead.

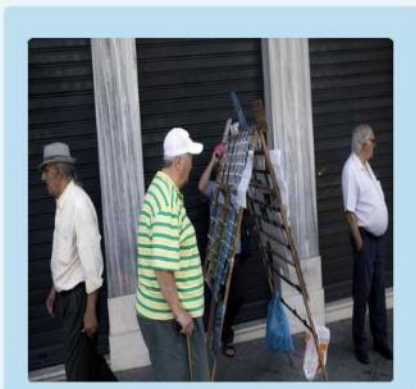
"Our team found a corpse this morning and the firefighters have confirmed the death of this person," added a Eurotunnel spokesman. The migrant, a man of Sudanese origin believed to be aged between 25 and 30, was hit by a truck that was leaving a cross-Channel ferry, the police source said Agence France-Presse.

The overnight attempts at storming the Eurotunnel terminal after some 2,000 bids to enter the site were recorded the night before, in what was described as the "biggest incursion effort in the past month and a half". British Prime Minister David Cameron expressed concern over the situation and said Home Secretary Theresa May would chair a meeting of the government's Cobra emergency committee to discuss the issue.

“This is very concerning,” he told reporters during a visit to Singapore, adding that “we are working very closely” with French authorities to address the situation. For several weeks, there have been many attempts by migrants to enter the Eurotunnel premises, with the numbers of people trying growing significantly in recent days. “Everything happened overnight, and at 6:00 am (0400 GMT), the police still had quite a lot of work to do,” said the police source of the last attempts, adding that “between 500 and 1,000 migrants” were still around the tunnel site. The latest fatality brings the number of migrants who died near the Channel Tunnel terminal site to nine since June. Security at the Calais port was stepped up in mid-June, driving migrants who previously tried to stow away on trucks that take ferries across the Channel to try their luck smuggling through the undersea tunnel. According to the last official count in early July, around 3,000 migrants, mainly from Ethiopia, Eritrea, Sudan and Afghanistan, were camped out in Calais.

IMF paints dim picture for Europe, suggests more money printing may be needed

Reuters, 28.07.2015



The IMF warned that the eurozone’s prospects were modest and that more money printing than planned may be needed. Contrasting the IMF’s relative gloom, however, German think tank Ifo reported improving confidence the 19-country bloc’s largest economy. The IMF, saying medium-term growth would be subdued, urged the ECB to keep its money presses rolling, perhaps beyond the target late next year.

“The important thing is that the ECB intends to stay the course and we think, will be necessary,” said Mahmood Pradhan, referring to quantitative easing.

Letting the 1 trillion euro (\$1.1 trillion) plus scheme to buy chiefly government bonds run longer could be better still, he suggested. “It may need to go beyond that,” he said. Worries about the global economy, prompted by a slowdown in China where shares slid more than 8 percent, are weighing on many countries in Europe. Manufacturing confidence in the Netherlands, with huge exposure to international trade though several of Europe’s largest ports, slipped back in July, reflecting pessimism among companies over the prospects for the coming three months. Finnish consumer and industry confidence also weakened in July compared to the previous month. But the data was mixed, with the positive Ifo report on German business confidence after two monthly drops and the ECB reporting a boom in lending for home buyers, which could bolster the bloc’s economy.

The ECB also said its M3 measure of money circulating in the eurozone, which is often an early indicator of future economic activity, grew by 5 percent in June, in line with the previous month. But lending to companies fell by 0.2 percent in June. This was a slower pace of decline for the 11th month in a row, but still suggested most of the ECB's largest is going to consumers not companies. In its report on the eurozone, the IMF said that the bloc was getting stronger thanks to lower oil prices, a weaker euro and central bank action, but that medium-term prospects were for an average potential growth of just 1 percent. The IMF said euro area gross domestic product should accelerate to 1.7 percent next year from 1.5 percent in 2015, with inflation of 1.1 percent from zero. IMF's Pradhan warned, however, that "a chronic lack of demand, impaired corporate and bank balance sheets, and weak productivity continue to hold back employment and investment." Potential growth, at an average of only 1 percent over the medium term, was well below what is needed to reduce unemployment to acceptable levels in many countries, it said, adding that the euro area was vulnerable. Reforms were also needed to improve labor markets and productivity. "In the euro area, the important area is structural reforms. This is where the euro area, when compared to OECD countries, for example, is lagging behind," Pradhan said.

The global addiction to energy subsidies

The Economist, 26.07.2015



Energy prices have been falling for a year. Over the last month that trend has accelerated. The price of a barrel of oil in America reached a low of \$48. In spite of this, governments are still splurging on subsidies to prop up production. Fossil fuels are reaping support of \$550 billion annually, according to the International Energy Agency (IEA), an organisation that represents oil- and gas-consuming countries, more than four times those given for renewable energy.

The International Monetary Fund's estimates are substantially higher. It said in May that countries will spend \$5.3 trillion subsidising oil, gas and coal in 2015, versus \$2 trillion in 2011.

That is equivalent to 6.5% of global GDP, and is more than what governments across the world spend on healthcare. At a time of low energy prices, high government debt and rising concern over emissions there is scant justification for such spending. So why is the world addicted to energy subsidies? Governments have devised several different ways of giving handouts for fossil fuels. Most surveys analyse "consumption" subsidies, rather than support or tax breaks for producers. Traditional "pre-tax" measures keep prices below supply costs for folk filling up their cars, or switching on the lights, and are particularly popular with developing countries. In oil-producing nations like Nigeria and Venezuela, low fuel prices are seen by poor populations as one of the few benefits of having large natural resource endowments. Rich countries subsidise too—the IMF says America is the world's second biggest culprit, spending \$669 billion this year—but mostly by "post-tax" systems which fail to factor the costs of environmental damage into prices. This is a problem because it wastes fiscal resources and hardly benefits the poor, as the wealthy drive more and guzzle more power.

The IEA believes that only 8% of subsidies accrue to the poorest fifth of the population. That money would better spent on roads, hospitals and schools instead. The schemes can also be shady. In Nigeria, billions of dollars are siphoned off while funding fuel importation, leaving locals suffering crippling shortages. Environmentalists argue that supporting fossil fuels represses the development of clean energy, promotes air pollution and climate change. IMF number-crunchers reckon that if the subsidies were cut, global carbon-dioxide emissions would fall by over 20% and government revenues would increase by \$2.9 trillion, or 3.6% of GDP. Most countries realise this is not sustainable, but removing subsidies can be a political hot potato. Nigeria, for instance, reversed its efforts in 2012 after days of violent street protests. Nevertheless there have been improvements. Low oil prices have recently allowed dozens of countries from Indonesia to India, Malaysia and Mexico to change their policies without vast price hikes. Others are simply allocating less cash to subsidies now that crude is cheaper. The IMF's headline figures overshadow this because "post-tax" environmental costs are ballooning. Discounting those, countries will spend \$330 billion plugging the gap between "true" prices and what consumers actually pay this year—down from \$500bn in 2014. The IEA, which does not measure environmental costs, thinks that subsidies have been declining since 2013. But the real test will come when oil prices start rising, and demands to keep prices low begin again.

Announcements & Reports

► *Counting the Cost of South Africa's Health Burden*

Source : CSIS

Weblink : <http://csis.org/publication/counting-cost-south-africas-health-burden>

► *Theories on Why North Korea Rejects the World*

Source : CSIS

Weblink : <http://csis.org/publication/theories-why-north-korea-rejects-world>

► *Reform Momentum and Its Impact on Greek Growth*

Source : Bruegel

Weblink : <http://www.bruegel.org/publications/publication-detail/publication/892-reform-momentum-and-its-impact-on-greek-growth/>

Upcoming Events

► *National Perspectives on The Euro Area*

Date : 01 August 2015

Place : Brussels - Belgium

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

► *Capital Requirements and Loss Absorbing Capacity for Large Banks*

Date : 01 August 2015

Place : Brussels - Belgium

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

► *The Meaning of Russia's Nuclear Threats*

Date : 05 August 2015

Place : Washington DC – The USA

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

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

Date : 10 August 2015
Place : Washington DC – The USA
Website : <http://www.brookings.edu/events/2015/07/08-financing-post-2015-sustainable-development-lagarde>

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

Date : 10 August 2015
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/544-the-productivity-gap-why-is-innovation-not-increasing-growth/>

► *The Kuwait Crisis 25 Years Later*

Date : 11 August 2015
Place : Washington – The USA
Website : <http://www.brookings.edu/events/2015/07/15-kuwait-crisis-25-years-later>

► *Competitive Gains in the Economic and Monetary Union*

Date : 15 August 2015
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/534-competitive-gains-in-the-economic-and-monetary-union/>

► *The Future of Capitalist Democracy: UK-Japan Perspectives*

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

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

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

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

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

► *Challenges for Growth in Europe*

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

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

Date : 01 October 2015

Place : Paris - France

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

► *The Future of the Welfare State*

Date : 17 November 2015

Place : Berlin - Germany

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