

Turkey scrambles to thwart rush to US dollar

Hurriyet Daily News, 06.03.2015



Turkish authorities have scrambled to stem the markets' rush to the U.S. dollar by issuing smoother statements about the Central Bank, after the Turkish Lira plunged to a series of historic lows.

Speaking to reporters in the capital Ankara, President Recep Tayyip Erdoğan said he would hold talks with Central Bank Governor Erdem Başçı and Deputy Prime Minister Ali Babacan after the lira's latest decline to a record low. Erdoğan noted that Başçı and Babacan had requested talks with him and they would meet after Babacan returns from his ongoing visit to New York City.

However, while stating that he would be meeting with the two internationally trusted economic figures, the president also continued to rail against what he called the "interest rate lobby." "The work of the interest rate lobby is known. The latest developments are completely due to dollar-euro moves. Those who decide to invest excessively in the dollar may end up being stranded," he said. His words contrasted with Deputy Prime Minister and government spokesperson Bülent Arınç, who said that nobody should "tell the Central Bank what to do," speaking in a televised interview. "It is not appropriate to tell the Central Bank what to do and to intervene its moves, which it takes in line with the legal framework," Arınç said in an interview with NTV. "It was not necessary to ask for more rate cuts from the Central Bank, as it is in line with the economic rules for Turkey to have rates of around 8 percent, with an inflation rate at around 8 percent," he added.

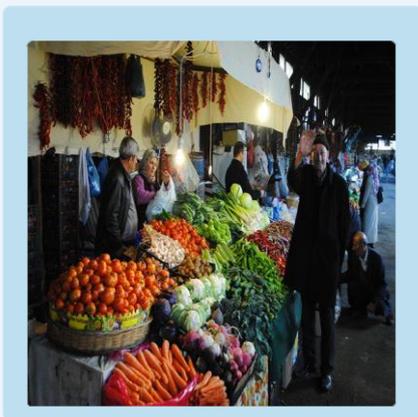
The lira firmed to below 2.58 against the dollar from an all-time low of 2.6290 overnight after Erdoğan's remarks, but weakened to a fresh record low of 2.6365 after the release of U.S. data. The U.S. unemployment rate for February fell to 5.5 percent, which could encourage the Federal Reserve to consider hiking interest rates in June. Since Feb. 19, the lira has lost over 6 percent against the dollar. Babacan, Prime Minister Ahmet Davutoğlu and Finance Minister Mehmet Şimşek have held a series of meetings with investors in New York over the past few days.

Davutoğlu told reporters on March 5 that he believed the meetings with investors had been successful and said he had spoken with Başçı about the lira weakness, according to Reuters. "Here what we need to understand is that, yes, Central Bank is independent and it is taking its own decision. At the end of the day the performance of the Central Bank and the performance of monetary policy is part of general economic performance," he said later during a webcast at the Council on Foreign Relations in New York. Davutoğlu said after the meetings in New York that he had spoken with Başçı about the lira and all necessary steps would be taken.

Economy Minister Nihat Zeybekci also underlined the independence of the Central Bank in a speech. Speaking in Germany at the Turkey Economy Platform hosted by Deutsche Bank, Zeybekci said criticism by President Erdoğan of the Central Bank's interest rate policy was not aimed at the independence of the Bank, Anadolu Agency reported. "Most recently our prime minister said there should be more rate cuts and we expect them. In response to these remarks, Central Bank professionals said they do not agree with this opinion and we are not on the same page," Zeybekci said. "This is the strongest indicator of the Central Bank's independence. Could there be clearer evidence for the independence of the bank?" he said.

Turkish Central Bank puts blame for high inflation on food prices

Hurriyet Daily News, 04.03.2015



The improvement in Turkey's core inflation continued in February, with the slight rise largely due to food prices, the Central Bank announced. In a statement after data showed consumer prices in February rose by 0.71 percent, slightly lower than expected, the Bank stated that non-food annual inflation continued to fall.

Economists expect the Central Bank to cut its policy rate by a further 25 basis points at its next meeting on March 17, if the Turkish Lira does not tumble sharply. However, the lira dropped to its latest all-time low of 2.5496 against the dollar, bringing its losses so far this year to 9 percent.

Sentiment towards the lira was not helped by data on March 3 showing annual February inflation rising to 7.44 percent, sharply above the bank's 5 percent target, limiting its room to cut rates as sharply as President Recep Tayyip Erdoğan and several leading ministers in the cabinet want. The Central Bank said in its monetary policy committee meeting notes published on March 3 that its ongoing cautious monetary policy, along with prudent fiscal and macro-prudential policies, are having a favorable impact on inflation, especially on inflation excluding energy and food.

"In this regard, the Committee anticipates that core inflation will continue to decline. In addition, lower commodity prices, particularly oil, continue to support disinflation. However, the recent volatility in oil prices and exchange rates might limit the support provided by energy products to disinflation," it stated. The Bank cut its one-week repo rate by 25 basis points on Feb. 24, as inflation slows and it faces growing political pressure to ease monetary policy.

Turkey's banking watchdog says Bank Asya shares partially seized

Hurriyet Daily News, 04.03.2015



Turkey's banking watchdog (BDDK) said regulators have taken control of a small stake in embattled Islamic lender Bank Asya over what it described as an illegal share transaction.

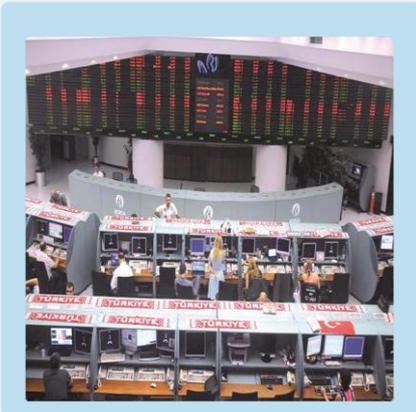
The BDDK said Turkey's Savings Deposit Insurance Fund (TMSF) seized shares held by publishing company Sürat Printing and construction firm Forum Construction because of several irregularities in the January sale of their parent company to a Dutch firm. As of November last year, the two companies held a total of 6.55 percent of Bank Asya, according to the bank's regulatory filings.

Meanwhile, the ratings agency Standard & Poor's said yesterday incidents surrounding Turkey's Bank Asya, which ended in its management takeover by regulators in early 2015, showed the potential for political risks to spill over into the financial system. S&P also said a June parliamentary election should not pose a particular source of risk for Turkish banks. "As for domestic political risks, we do not see the June 7 parliamentary elections as a particular source of risk for banks. However, the incidents in 2014 surrounding Bank Asya, which ended with the regulatory action against it in early 2015, illustrate the potential for political risks, or the perception of it, to directly or indirectly spillover into the financial system," S&P said.

Turkey's banking regulator seized control of Bank Asya due to transparency concerns, according to the banking watchdog. The Savings Deposit Insurance Fund (TMSF) seized 63 percent of Bank Asya shortly after the Banking Regulation and Supervision Agency (BDDK) ruled in favor of its seizure, in early February. "On the external front, we expect monetary decisions by the Fed and the ECB to offset each other, minimizing their impact on the availability and pricing of foreign funding. Domestic monetary policy and falling oil prices will shape Turkish banks' interest margins and might slow the ongoing margin squeeze," the ratings company said.

Borsa Istanbul to go public in bid to jumpstart equity market

Reuters, 03.03.2015



Turkey's stock exchange Borsa Istanbul said yesterday it plans to go public, in Ankara's latest move to bolster its \$220 billion equity market that has punched below its weight for years.

Borsa Istanbul, the country's only stock exchange, plans to list up to 43 percent of its capital through the sale of most of the shares now held by the national Treasury. Turkey has joined the list of the world's top 20 economies, thanks to years of solid growth, but its equity market has not kept up, with the bulk of trade centered around a handful of large-cap stocks.

Prime Minister Ahmet Davutoğlu said in January he wanted Istanbul to break into the ranks of the world's top ten financial hubs, an ambitious target given the challenge from other emerging market rivals such as Dubai. At \$220 billion, Turkey's stock market is world's 29th largest, lagging behind some emerging market rivals. The Johannesburg market is worth more than four times that, even though South Africa's economy is less than half the size of Turkey's. "There is a mismatch between the complexity and size of the Turkish economy and the size of its capital markets," consultancy Oliver Wyman said in a 2014 report, which also said Turkey's equity market could easily double in size.

The bourse, which has previously said it planned to privatize, did not say how it would spend the proceeds from the capital raising. But it could look to bolster its technology as other exchanges around the world have been doing, to help it to compete for business from hedge funds and high-frequency traders. The public offering is expected to be completed by the end of this year, with a possible extension through 2016, it said. The Treasury owns 49 percent of the exchange, with 36.6 owned by the bourse itself.

Turkish prime minister in New York quest to soothe investor concerns

Doğan News Agency, 05.05.2015



Prime Minister Ahmet Davutoğlu has sought to reassure some of the world's leading investors about political and economic stability in Turkey during his meetings in New York.

His bid to brush off escalating concerns about the investment climate in Turkey follows a series of increasingly strident remarks from Recep Tayyip Erdoğan about the Central Bank's policies. "Turkey is an island of stability," Davutoğlu told a group of investors and bankers, as part of his New York visit accompanied by Turkey's top economy officials, Ali Babacan, Mehmet Şimşek and Nihat Zeybekci.

The delegation, which also includes Istanbul Mayor Kadir Topbaş and Foreign Ministry Undersecretary Feridun Sinirlioğlu, held separate meetings with Citi and Bank of America Merrill Lynch. President Erdoğan's increasingly aggressive salvos against the Central Bank and its governor, Erdem Başçı, have included claims that all those who are against low interest rates are guilty of "treason" against Turkey.

Against this backdrop, Davutoğlu used two main arguments to try to calm investor worries. Firstly, he highlighted that Turkey is "immune" to the turmoil engulfing the surrounding region, describing the country as "an island of stability." "We experienced a new kind of distress after the Arab Spring. There six or seven fragile countries around Turkey such as Syria, Iraq, Lebanon, Ukraine, Yemen and Libya. When we look at these, Turkey stands out as an island of stability," he said.

Secondly, Davutoğlu sought to emphasize "political stability" in Turkey and to persuade investors about the ruling Justice and Development Party's (AKP) commitment to economic reforms. "Political stability and economic stability are linked to each other. Turkey has both of these values," he said. "We have steered through three general elections, two presidencies, and two referendums. Our party has emerged victorious from all of these. You see that our prime minister and president changed just before a new election, but it did not affect stability even a little," Davutoğlu stressed. The prime minister said he is "confident" that his party will come out on top after the June 7 elections too, saying the AKP expects to get around 48 to 52 percent of the vote.

"The party closest to us has around 20 to 22 percent of the vote. So there is no concern," he said. Davutoğlu praised Turkey's economic performance, dubbing it "a promising country for future." "Despite many problems, we have grown at an average of 5.5 percent over the past 12 years. Our national income has multiplied by three-and-a-half times [in nominal terms]. The value of our economy rose to \$840-\$850 billion from \$230-\$240 billion in 2002, when we came to power," he said. Meanwhile, addressing a separate meeting with representatives of Turkish associations, Davutoğlu claimed that investors in New York do not perceive Turkey as a turbulent country. "

Net profit in banking sector increases

Anadolu Agency, 03.03.2015

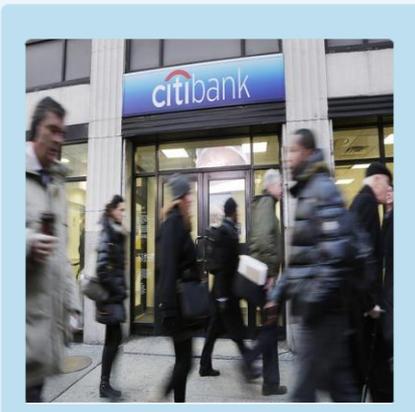


The net profit in Turkey's banking sector increased by 52 percent to 2.15 billion Turkish Liras (\$857 million) in January compared with 1.42 billion liras in January 2014.

According to figures released by BDDK the size of the Turkish banking sector's assets increased by 1.9 percent in January from the end of 2014. The size of assets totaled 2.032 trillion liras as of January 2015, an increase of 38 billion liras from the end of 2014. Meanwhile, loans increased 1.2 percent and reached 1.255 billion liras (\$500 billion) in January from the end of 2014. The lira has lost more than 30 percent of its value against the U.S. dollar since January 2014.

Citigroup sells stake in Turkey's Akbank for \$1.2 bln

Reuters, 05.03.2015



Citigroup has sold its nearly 10 percent stake in Turkey's Akbank for \$1.2 billion, the U.S. lender said, its latest disposal of overseas assets to cut costs and boost profits. New York-based Citi has been paring back in international markets in recent years, pulling out of retail banking in Turkey as well as long-established businesses such as Japan.

Citi, which had been the second-largest shareholder in Akbank, said the sale would not have a material impact on its finances. It did not disclose the buyer. Shares of Akbank, Turkey's fourth-largest listed bank by assets, tumbled more than 5 percent at the start of trade in Istanbul.

Citi said in a statement it remained committed to Turkey, where it aims to increase its corporate and commercial banking business and employs more than 500 people. Still, the sale comes at an inopportune time for Turkish banking, as overseas investors worry about increased political interference in the sector. Ratings agency Standard & Poor's warned on March 4 that regulatory actions against Islamic lender Bank Asya illustrated the "potential for political risk, or the perception of it, to directly or indirectly spill over into the financial system". Bank Asya, founded by the followers of U.S.-based Islamic scholar Fethullah Gülen, has been battered by President Recep Tayyip Erdoğan's attempts to wipe out Gülen's religious movement, which he accuses of attempting to build a "parallel state" in a bid to topple the government.

Turkey Islamic lender receives a license from Central Bank of Bahrain

Reuters, 04.03.2015



The Central Bank of Bahrain has granted a license to Turkish Islamic lender Turkey Finans to open a branch in Bahrain, the bank said in a written statement.

“The proposed branch is expected to contribute to strengthening its relationship with the Gulf region. It therefore targets to engage with existing and potential investors. Special focus will be given to financial institutions, government agencies, corporate customers and high net worth individuals,” said the statement. The Bahrain office will be the first branch of the bank outside Turkey. The bank is regulated by Turkey’s banking watchdog, the BDDK.

The bank was formally founded in 1991 by a group of entrepreneurs and then merged with other groups under the name “Türkiye Finans.” The majority of the bank is owned by the National Commercial Bank (NCB) of Saudi Arabia.

CEO: HSBC “problem” spots Brazil, Mexico, US and Turkey have 1-2 years to prove worth

Reuters, 01.03.2015



HSBC has given its four problem businesses in Brazil, Mexico, Turkey and the United States as little as one year to prove their worth before “more extreme” turnaround solutions are proposed, its CEO said.

Chief Executive Stuart Gulliver told analysts he would consider disposals to simplify the bank and improve returns, although he declined to say if any of the four big trouble countries could be sold. “We’re involved at the moment in fortnightly calls ... on Brazil, Mexico, United States and Turkey, which are clearly the four which present the biggest problems in this regard (improving them),” Gulliver told.

“We absolutely need to turn them round, or we would need to think of more extreme solutions to the problem.” Asked how long the businesses had to prove their worth, Gulliver said: “I think we’re talking 12 to 24 months.” Gulliver said there were also parts of its investment bank and commercial bank that need to improve returns. “There are parts of the Group that aren’t offering a return that’s anywhere near their cost of equity ... and there are no options in terms of that restructuring that we would not consider.”

The four countries are four of HSBC’s most important. It has 21,000 staff in Brazil, 17,000 in Mexico and 15,000 in the United States and has pinpointed Turkey as one of its priority growth markets. HSBC reported a 17 percent fall in annual pretax profit and cut its profitability target, saying allegations its Swiss business had helped customers to dodge taxes had brought shame on the bank. Results from Europe’s biggest bank on Feb. 23 reflected the cost of past misconduct and of protecting itself against the impact of further scandals. HSBC said allegations about its Geneva-based arm, raided last week by Swiss officials and now the subject of a UK inquiry, had badly damaged its image.

State media: Syrian army kills top al Qaeda leader

AFP, 06.03.2015



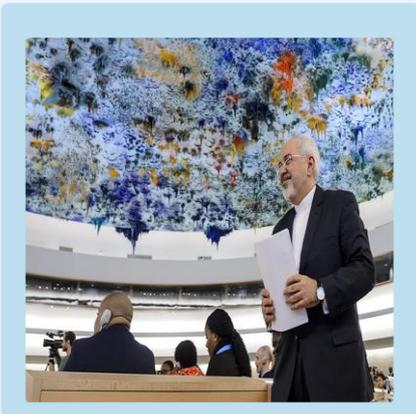
The Syrian army carried out an operation that killed the military commander of the al Qaeda-linked Nusra Front in northwestern Syria, Syrian state media reported.

Abu Humam al-Shami was killed by an explosion during a meeting of Nusra Front leaders in Idlib province. Insurgent sources said at least three other Nusra Front commanders were killed in the blast. The Syrian state news agency SANA, quoting its correspondent, said Abu Humam and a number of other Nusra leaders had been killed in an army operation targeting the meeting held in the village of Hobait in a rural area of Idlib.

It also cited a military source saying the army had carried out “concentrated strikes” against Nusra and other Islamist groups in the Abu al-Dhuhur area, which is to the northeast of Hobait. Insurgent sources had initially said the U.S.-led alliance had killed Abu Humam in an air strike. But a coalition spokesman said it had not conducted air strikes in the province during the past 24 hours. The Nusra Front has expanded its hold over Idlib province in recent months, seizing territory from mainstream Syrian rebel groups that have received Western backing. Leaders of the Nusra Front are considering cutting their links with al Qaeda to form a new entity backed by some Gulf states trying to topple President Bashar al-Assad, sources have said.

Iran hints might be open to 10-yr partial freeze of nuclear work

Reuters, 06.03.2015



Iran's foreign minister suggested that a 10-year moratorium on some aspects of the country's nuclear program might be acceptable to Tehran, though he declined to discuss the issue in detail.

U.S. President Barack Obama told that Iran must commit to a verifiable freeze of at least 10 years on sensitive nuclear activity for a landmark atomic deal to be reached between Tehran and six world powers. CNN's Christiane Amanpour asked Iranian Foreign Minister Mohammad Javad Zarif in an interview if Tehran was prepared to accept decade-long limits on a nuclear program it insists is peaceful.

"It depends on how you define it," Zarif said. "If we have an agreement, we are prepared to accept certain limitations for a certain period of time but I'm not prepared to negotiate on the air." Zarif was quoted by Iranian media as saying that Obama's demand for a 10-year partial freeze was unacceptable. Zarif and U.S. Secretary of State John Kerry held talks this week in Montreux, Switzerland with the aim of securing a political framework agreement by the end of March. "There are a lot of details that need to be discussed. We have made some progress," Zarif said. "We will have to work very, very hard for the next few weeks."

Iran, the United States, Britain, France, Germany, Russia and China have given themselves an end-June deadline to reach an agreement that curbs sensitive Iranian nuclear work in exchange for sanctions relief. The Western powers hope to have a political framework agreement by the end of March. "We can in fact reach an agreement if there is the necessary political will to make the tough choices," Zarif said. Officials from the six power group and Iran say the next round of senior-level talks is expected to take place during the week of March 16, most likely in Geneva.

Zarif said there has been no satisfactory agreement on how to remove sanctions. He dismissed Israeli Prime Minister Benjamin Netanyahu's warnings about the deal in a speech to the U.S. Congress. "Some people consider peace and stability as an existential threat," he said, adding that it had no impact on the negotiations. The United States and its allies, notably Israel, suspect Iran of using a civilian nuclear program as a cover to develop a nuclear weapons capability. Tehran denies the allegation.

Saudi top diplomat urges allies to face ISIL “on the ground”

AFP, 06.03.2015



Saudi Arabia’s foreign minister urged the US-led coalition conducting air strikes against ISIL in Syria and Iraq to wage a ground war against the jihadists.

The kingdom, part of that coalition, “stresses the need to provide the military means needed to face this challenge on the ground,” Prince Saud al-Faisal said. Obama, anxious to avoid a drawn-out ground war, has backed an air campaign, but ruled out deploying infantry. The Saudi minister also warned of Iran’s growing role in Iraq, accusing the Shiite-dominated Islamic republic of “taking over” the kingdom’s Arab neighbour through its aid in the fight against ISIL.

“Tikrit is a prime example of what we are worried about. Iran is taking over the country,” Faisal said of the late Iraqi dictator Saddam Hussein’s hometown. Kerry confirmed that the US had information that the commander of Iran’s powerful Quds force, General Qassem Suleimani, was on the ground in Iraq aiding the offensive. “Is General Suleimani - has he been on the ground, is he playing a role? The answer’s yes,” Kerry said. “We’ve got information to that effect,” he said, insisting however that the operation was Iraqi-led. “Everybody has known that there are some movement of Iranian forces, both in and out of the northern part of Iraq, who have been engaged in fighting since the very beginning. But it is not coordinated. We are not coordinating with them.”

The US military’s top officer, General Martin Dempsey, said Tuesday that Iran’s help in an Iraqi offensive to recapture Tikrit could be “a positive thing” providing that it did not fuel added sectarianism. The United Nations said military operations aimed at retaking Tikrit from ISIL have caused about 28,000 people to flee their homes. “We have urged all Iraqi forces to avoid and prevent the abuse to civilians of any kind of activity that violates international norms, fuels sectarian fears, and promotes sectarian divides, and that includes Iran in terms of their activities,” Kerry said. About 30,000 Iraqi security force members and allied fighters launched an operation to retake Tikrit. Sunni-dominated Saudi Arabia is wary of the ambitions of its arch-rival Iran across the Gulf.

US official: Russia's actions in Ukraine conflict an "invasion"

The Hill, 04.03.2015



A senior State Department official said that the U.S. considers Russia's military support for rebels in neighboring Eastern Ukraine an "invasion," which could mark the first time any U.S. official has made such an acknowledgment in public.

U.S. officials have studiously avoided calling Russia's support for the rebels since its annexation of the Ukrainian peninsula of Crimea last March an "invasion." But during a House Foreign Affairs Committee hearing, Assistant Secretary of State for European and Eurasian Affairs Victoria Nuland was questioned by Rep. Brian Higgins (D-N.Y.) as to whether the support constituted an "invasion."

"We have used that word in the past, yes," Nuland responded. Lawmakers at the hearing also expressed growing frustration with the Obama administration's unwillingness so far to provide Ukrainian forces with weapons, despite Russia sending tanks, heavy weapons and troops into Ukraine and more than 6,000 Ukrainian deaths. The White House has been "considering" providing lethal weapons to Ukraine for almost a year, but has not done so out of concern it could provoke further Russian aggression.

Nuland said, "That question is still under discussion, and the president has not made a decision." She also said the White House is watching to see whether Russia will abide a ceasefire negotiated last month between Moscow and Kiev. Republicans on the committee blasted that response. "I do believe delay is denial, and I think we have a de facto defensive weapons arms embargo on Ukraine," said Rep. Chris Smith (R-N.J.). "How many more bodybags before we get in gear and make this decision? What do you think the president's thinking?" asked Rep. Randy Weber (R-Texas). "Harsh words and "We'll get back to you" and "We're deciding" — that doesn't help," Rep. Scott Perry (R-Pa.) added.

Nuland dismissed charges that the president has not been engaged on Ukraine, saying he "has been the leader of this Ukraine policy," and has "been enormously engaged." "I've been in meetings with him where he's passionate," she said. Former Defense Secretary Chuck Hagel was reportedly frustrated with the White House's slow decision-making over Ukraine, contributing to his resignation earlier this year. Lawmakers also noted that Defense Secretary Ashton Carter said last month he was "inclined" toward providing Ukraine with lethal weapons, and that Chairman of the Joint Chiefs of Staff Gen. Martin Dempsey said he would "absolutely consider providing lethal aid." But Nuland said the decision was up to the president: "These are his decisions to make. We will certainly convey to him your concern."

The U.S. has also been wary of sharing intelligence with Ukraine, but Nuland said intelligence cooperation was “improving over time.” Nuland said the Obama administration has enacted five rounds of sanctions on Moscow along with European allies, and provided financial and non-lethal military assistance to Ukraine. She said, so far, the U.S. has provided nearly \$120 million in “non-lethal” military assistance, including blankets, sleeping mats, food packets, medical equipment, body armor and, more recently, counter-mortar radar. The U.S. has also provided some medical and military training to Ukrainian forces. Ukrainian officials say they need light anti-tank missiles, long-range counter-battery radar and better communications equipment in order to fight back against Russian trained and equipped rebels. Committee Chairman Ed Royce (R-Calif.) called the U.S. response so far “tepid.”

The top Democrat on the committee, Rep. Eliot Engel (N.Y.), added that those policies “are good but only up to a point. They don’t go far enough.” Engel also announced new legislation Wednesday that would “offer Ukraine greater assistance on a variety of fronts.” “Ukraine is not going to win a war against Russia, but it can impose a greater cost on Vladimir Putin’s aggression and slow Russia’s advances, and it has a chance to remain on its feet when all is said and done,” Engel said. “Ongoing Russian aggression threatens the security and stability of the entire region and undermines decades of American commitment to and investment in Europe that is whole, free and at peace. In fact, this is a threat to the whole international order,” he said.

“I am not afraid,” Russians march in memory of murdered Putin critic

Reuters, 01.03.2015



Holding placards declaring “I am not afraid”, thousands of Russians marched in Moscow in memory of Kremlin critic Boris Nemtsov, whose murder has widened a split in society that some say could threaten Russia’s future.

Families with many carrying portraits of Nemtsov, an opposition politician and former deputy prime minister who was shot dead while walking home from a restaurant in central Moscow night. “If we can stop the campaign of hate that’s being directed at the opposition, then we have a chance to change Russia. If not then we face the prospect of mass civil conflict,” Gudkov, an told.

“The authorities are corrupt and don’t allow any threats to them to emerge. Boris was uncomfortable for them.” His murder has prompted deep soul searching in a country where for years after the Soviet Union collapsed many yearned for the stability later brought by President Vladimir Putin. Some now fear his rule has become an autocracy. Putin has vowed to pursue those who killed Nemtsov, calling the murder a “provocation”. National investigators who answer to the Russian leader say they are pursuing several lines of inquiry, including the possibility that Nemtsov, a Jew, was killed by radical Islamists or that the opposition killed him to blacken Putin’s name.

Putin's opponents say such suggestions show the cynicism of Russia's leaders as they whip up nationalism, hatred and anti-Western hysteria to rally support for his policies on Ukraine and deflect blame for an economic crisis. "It is a blow to Russia. If political views are punished this way, then this country simply has no future," Sergei Mitrokhin, an opposition leader, said of Nemtsov's murder. Some Muscovites, accepting a line repeated by state media, appear to agree that the opposition, struggling to make an impact after a clampdown on dissent in Putin's third spell as president, might have killed one of their own. "The authorities definitely do not benefit from this. Everybody had long forgotten about this man, Nemtsov ... It is definitely a "provocation", said one Moscow resident, who gave his name only as Denis. Some young people walking in central Moscow asked: "Who is Nemtsov anyway?"

Nemtsov, who was 55, was one of the leading lights of an opposition struggling to revive its fortunes, three years after mass rallies against Putin that failed to prevent him returning to the presidency after four years as prime minister. The opposition has little support outside big cities and Putin has now been Russia's dominant leader since 2000, when ailing President Boris Yeltsin chose the former KGB spy as his successor, a role Nemtsov had once been destined to play. Even many of Putin's opponents have little doubt that he will win another six years in power at the next election, due in 2018, despite a financial crisis aggravated by Western economic sanctions over the Ukraine crisis and a fall in oil prices.

Many opposition leaders have been jailed on what they say are trumped-up charges, or have fled the country. Their most prominent leader, Alexei Navalny, is serving a 15-day jail sentence for breaking a law that restricts demonstrations. Nemtsov, a fighter against corruption who said he feared Putin may want him dead, had hoped to start the opposition's revival with a march in Marino on the outskirts of Moscow to protest against Putin's economic policies and what they see as Russia's involvement in the separatist war in east Ukraine. In a change of plan, the opposition said Moscow city authorities had allowed a march of up to 50,000 people alongside the River Moskva to commemorate Nemtsov's death.

UK wins right to continue euro clearing

Euractiv, 04.03.2015



The UK has won a court battle against the European Central Bank which will allow London clearing houses to continue handling large euro transactions. Clearing houses act as a middle man between two sides of stock and bond trades, ensuring the completion of transactions, even if one side goes bust.

The ECB wanted to ensure all clearing houses handling euro-dominated transactions were based within the Eurozone. The ECB claimed the move would make it easier to intervene if a clearing house got into trouble. The UK argued such a policy was against the principles of the single market.

Had the ruling gone the other way, it would have hindered the London's ability to continue as a major European financial centre. More than half of all the derivatives traded in the UK are euro-denominated. The ruling brings to an end a three year dispute after the EU General Court ruled the ECB did not have the "competence required" to enforce such a policy. The court said if the ECB wished to regulate clearing houses, it would need to request additional powers from the EU.

Such a move would not require treaty change and would be decided using Qualified Majority Voting meaning the UK could not veto. Raoul Ruparel from Open Europe, an independent think tank, said this was unlikely given the definitive nature of the ruling saying any move to do so by the ECB would be "particularly belligerent." The ECB has the right to appeal the decision. They have so far declined to comment on the ruling. The result has been widely praised in the UK. George Osborne, Chancellor of the Exchequer, said it was a "major win for Britain and a major win for all those who want to see a European economy that is both open and successful".

"We have been consistently clear there needs to be a level playing field for all countries in Europe's Single Market, whether they are in the eurozone or not. That's why we brought a legal challenge against the European Central Bank's utterly discriminatory location policy, and why we welcome today's ruling from the European Court of Justice which strikes this policy down," said Osborne. Mark Boleat from the City of London Corporations said, "Today's result shows that the UK can continue to play a strong role within the EU and have its voice heard. The Single Market is vital to the City and there must be a level playing field between eurozone and non-eurozone member states."

Roland Rudd, Chairman of the pro-EU lobby group, Business for New Europe called the ruling "a defining moment" for the UK's relationship with the EU. "It demonstrates the integrity of the single market, that the eurozone cannot make decisions to the detriment of those outside and that the UK can successfully challenge decisions with which it does not agree," said Rudd.

Italy: Pompeii destruction linked to alleged corruption

Anadolu Agency, 05.03.2015



The famous archaeological site at Pompeii has seen collapses of buildings in recent years; now its poor condition has been linked to a corruption investigation on misuse of funds by an official.

Italian finance investigators suspect that millions of euros were misused or wrongly appropriated by officials who were supposed to save Pompeii from further deterioration. Naples-based finance police have seized about €6 million (\$6.4 million) in assets from a former official who had been responsible for preserving the archaeological site at Pompeii. Nine other officials are also being investigated..

The seizure was prompted by a court monitoring public spending. Investigators suspect there were misappropriated expenditures in 2010 for a show at Pompeii's Great Theater. No tender offer was made for the show, and spending allegedly went way over budget.

UN: Libya rivals discuss unity govt, security

Anadolu Agency, 05.03.2015



Libya's political rivals – involved in talks in Morocco discussed the formation of a national unity government, the selection of the prime minister and his two deputies, a United Nations official has said.

“The two sides also discussed security arrangements, the withdrawal of militant groups from Libyan cities and the constitution,” Samir Ghattas, the head of the UN media office in Morocco, told The Anadolu Agency. He said Libya's political rivals – who started the fourth round of their talks in Skhirat, a city within Moroccan capital Rabat earlier would hold three days of talks in Morocco.

Ghattas did not, however, elaborate more on the content of the talks or the results they reached so far, voicing hope that the talks would yield positive results. Libya has remained in a state of turmoil since a bloody uprising ended the decades-long rule of autocratic leader Muammar Gaddafi in late 2011. Since then, the country's stark political divisions have yielded two rival seats of government, each with its own institutions and military capacity. Vying for legislative authority are a Tobruk-based parliament and an Islamist-led parliament, the latter of which – even though its mandate ended last year – continues to convene in capital Tripoli. The two assemblies support two rival governments respectively headquartered in Tobruk and Tripoli.

Outgoing Namibian president wins \$5 million Africa leadership prize

AFP, 18.02.2015



Namibia's outgoing president, Hifikepunye Pohamba, has won the Mo Ibrahim Foundation's \$5 million African leadership prize, an award meant to recognise good governance that has been presented only three times in eight years.

Since it was set up by the Sudanese telecom tycoon in 2007, the prize has gone to three former presidents, from Cape Verde, Mozambique and Botswana. In other years, no one was found to have met the criteria. To win the prize, a leader must have been democratically elected and have left office, serving only their constitutionally mandated term.

Although elections have now become common on a continent once better known for military coups and instability, some leaders have stayed in office long after their original mandate, often pushing through constitutional changes to hold to power. Announcing the award in Nairobi, the Mo Ibrahim committee praised Pohamba's commitment to the rule of law and his respect for the constitution, as well as his promotion of gender equality. Pohamba, 79, was first elected president in 2005 and is due to step down this month. The elections held under his leadership were considered by observers to be free and fair.

Pohamba was a founding member of the now ruling South West African People's Organisation (SWAPO), playing a central role in decades of struggle for independence from South Africa. He was imprisoned in the 1960s for political activism but continued to fight against South Africa's apartheid government until the end of white-minority rule in 1994. He held home affairs and marine resources portfolios in cabinet prior to becoming president. The winner receives \$5 million, given over 10 years, and after that receives \$200,000 a year for life. The previous recipients were former presidents Pedro de Verona Rorigues Pires of Cape Verde, Mozambique's Joaquim Chissano and Festus Mogae of Botswana. South Africa's Nelson Mandela was also given an honorary award.

North Korea, angered by drills, fires short-range missiles off coast

Reuters, 02.03.2015



North Korea fired two short-range missiles off its east coast South Korean officials said, a defiant response to annual military exercises between South Korea and the United States but one which drew a swift protest from Japan.

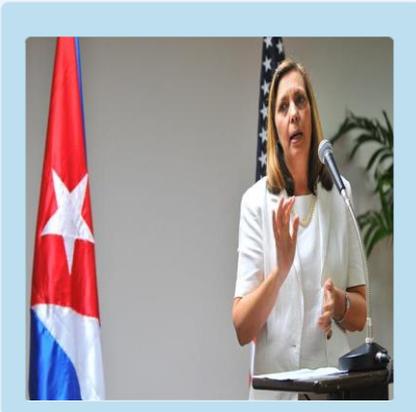
The firing came hours before the U.S.-South Korean military exercises were scheduled to begin, drills which the secretive North denounces as a preparation for war. The missiles hit the sea early morning after travelling for about 490 km. Ministry spokesman Kim Min-seok said North Korea fired the missiles without designating any no-sail zones, which was regarded as a provocation.

“If North Korea takes provocative actions, our military will react firmly and strongly so North Korea will regret it in its bones,” Kim told a news briefing. Pyongyang has escalated its rhetoric against the drills, with a spokesman for its army general staff saying Washington and Seoul “should be dealt with only by merciless strikes”. Japan quickly lodged a protest with North Korea over the latest missile launches, saying they posed a serious threat to safety at sea and in the sky. “The ballistic missile launches by North Korea are extremely problematic conduct in terms of aviation and navigation safety,” Chief Cabinet Secretary Yoshihide Suga told a news conference. “We swiftly lodged a stern protest with North Korea.”

Japan needs to tread a fine line between conveying its condemnation to Pyongyang while not derailing bilateral talks aimed at resolving the issue of Japanese citizens abducted by North Korean agents decades ago. In July, Japan eased some sanctions on North Korea in return for the North reopening its investigation into the fate of Japanese abductees. Little progress has been made so far. North Korea frequently tests short-range missiles off its coast as part of military drills. The United Nations has imposed sanctions banning North Korea from using ballistic missile technologies.

US, Cuba seek breakthrough in new round of historic talks

AFP, 03.03.2015



US and Cuban negotiators launch a second round of historic talks aimed at overcoming half a century of enmity and restoring full diplomatic ties. After an initial meeting in Havana in January which ended with little apparent breakthrough, the teams were to meet.

The hope is that within the coming months both nations will agree to reopen embassies in each other's capitals and appoint fully-fledged ambassadors. Currently they operate with so-called interests sections in Havana and Washington. US President Barack Obama is due to attend the Summit of the Americas in Panama on April 10-11.

And observers believe both nations, long mired in tension stemming from the Cold War, are keen to relaunch full diplomatic relations around that date. But after more than five decades of hostility and suspicion, steep obstacles remain to renewing diplomatic ties. This is seen as the first step towards a full normalization of relations between the United States and the communist-run Caribbean island which has been governed for five decades by revolutionary leader Fidel Castro and his brother, now President Raul Castro. Ahead of the talks, both sides staked out their differences.

Cuban officials demanded that as a preliminary step Havana be stripped of its US designation as a state sponsor of terrorism -- a label which has stalked the island since 1982, and which among other sanctions has complicated access to the global banking system. Washington, however, has insisted that its ongoing review of the terror blacklisting should not be linked to the restoration of diplomatic ties. In return, the US has insisted that its diplomats and embassy be granted full powers under the Vienna Convention governing global diplomatic relations to operate freely, including meeting with Cuban dissidents.

The US team will be led by the Assistant Secretary for the Western Hemisphere, Roberta Jacobson, who last month became the highest-ranking US official to visit Cuba in 35 years. She will be sitting across the table from Cuban negotiator Josefina Vidal. "I certainly think that our presidents and my secretary would be delighted if we could have everything worked out in time for the Summit of the Americas," a senior State Department official told reporters ahead of Friday's talks. "But that depends a lot on how our counterparts come to the table prepared to get things done and whether they are comfortable with the things we need in order to run an embassy the way we do in other places around the world."



Friday's talks may be a "little bit disappointingly workman-like in their nature this time. But this is where we roll up our sleeves as diplomats and sit down at the table and make sure that we hammer out all of the details out to get embassies up and running." Restoring diplomatic ties "doesn't take very long if we get agreement on things," the official added. Cuban Deputy Foreign Minister Gustavo Machin called for his country to be removed from the terror blacklist saying it would "be a contradiction" if Havana were to remain on the list while enjoying diplomatic ties with Washington. But the State Department official said that while Washington was "moving forward on the review of Cuba on that list as quickly as we can ... we don't think that that should be linked to the restoration of diplomatic relations." "It would be very easy to restore diplomatic relations if they would not link those two things," the official added.

Obama, who in a surprise December agreement said he had agreed to seek normal ties, has called on the US Congress to lift the decades-old biting economic embargo of Cuba. But some lawmakers -- as well as parts of the Cuban dissident community -- remain wary of the diplomatic demarche, arguing Obama has failed to secure guarantees about progress on human rights. One of the aims of Friday's meeting is to set a date for the first ever US-Cuba discussion on human rights. Although no date has been set "it will be the first time that we would be able to sit down with the government directly and have an in-depth conversation about our differing perspectives," the State Department official said.



Announcements & Reports

► *Mapping Competitiveness with European Data Download*

Source : Bruegel

Weblink : <http://www.bruegel.org/publications/publication-detail/publication/871-mapping-competitiveness-with-european-data/>

► *Health Policy Research*

Source : Baker Institute

Weblink : <http://bakerinstitute.org/research/health-policy-research-newsletter-march-2015/>

► *The Iranian Sea-Air-Missile Threat to Gulf Shipping*

Source : CSIS

Weblink : <http://csis.org/publication/iranian-sea-air-missile-threat-gulf-shipping-0>

Upcoming Events

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

Date : 09 March 2015

Place : London – United Kingdom

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

► *Creating an Effective Financial System*

Date : 09 March 2015

Place : London – United Kingdom

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

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

Date : 10 march 2015

Place : Texas – USA

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



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

Date : 11 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 : 11 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 : 12 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>