

Babacan to visit US to attend international meetings

Hurriyet Daily News, 14.04.2015



Ali Babacan will visit the United States to attend a series of international meetings, including the G-20 meetings.

Babacan will visit the U.S. to attend the International Monetary Fund-World Bank Spring Meetings, as well as the G-20 Ministers and Central Bank Governors' Meetings, and to make speeches during high-level thematic meetings at the United Nations. Alongside ministers and central bank governors, the G-20 summit will also bring together officials from the IMF, World Bank, U.N., OECD, Financial Stability Board and the Bank for International Settlements, many of which have regularly worked with Babacan during his tenure.

Topics will include the global economy, the framework of development, international financial structures, investment infrastructure, financial arrangements and taxation, according to the statement. Babacan will also make a speech at a seminar on Islamic finance, which will be jointly organized by the G-20 and IMF, as well as during a B-20 panel, titled "To a Global Governance Mechanism," and at a Think-20 event, which will focus on the challenges standing before the global economy and the role of the G-20. He will also attend a press meeting on April 17 to launch the "2015 OECD SME Scoreboard" report with OECD Secretary General Angel Gurría.

The minister is further expected to conduct one-on-one meetings with foreign ministers, central bank heads and high-level representatives from leading international organizations, think tanks and NGOs, as well as investors and businesspeople. Following his Washington meetings, Babacan will visit New York to attend a special high-level meeting of ECOSOC with the World Bank, IMF, WTO and UNCTAD as the keynote speaker. Last week Prime Minister Ahmet Davutoğlu said Babacan was unlikely to feature in the new cabinet. "I have the utmost respect for Mr. Ali [Babacan]; however, there is no separate management for the economy. There is one manager, and that is the prime minister." Babacan is among the prominent figures of the ruling Justice and Development Party (AKP) who will not be in the new government because he has reached a three-term limit that is in force in the party.

Turkey's budget discipline 'firm despite seasonal slide'

Anadolu Agency, 15.04.2015



Turkey's budget deficit was 6.8 billion Turkish Liras (\$2.5 billion) in March and 5.4 billion liras (\$2 billion) in the first quarter of 2015, Finance Minister Mehmet Şimşek said in a press conference, announcing central government budget figures for March.

The figures were weaker than figures from a year earlier, with the budget deficit up by 1.8 billion liras (\$700 million) in March and up by 3.9 billion liras (\$1.5 billion) in the first quarter year-on-year. Şimşek claimed that the increase in the budget deficit should not be a source of concern, as it is mostly related to "seasonal costs."

"There is a strong increase in tax income, which rose by around 13 percent ... When we consider that a majority of tax income normally comes from consumption, this increase might imply that economic activities are not slowing down," he said. Şimşek stressed that the budget figures were in line with projections, as first quarter numbers roughly corresponded to a quarter of yearly targets, with no deviations from the budget discipline. "There is an increase of over 4 billion liras (\$1.5 billion) in interest expenditures, which have a periodic nature, compared to last year," he said. "But if you take [the periodicity in interest expenditures] into account, you can see budget discipline continues because interest rate expenditures will not increase all year round. There is a periodicity related to the maturity structure," he added.

Şimşek stated that the non-interest surplus, which was 12.5 billion liras (\$4.7 billion) in the first quarter of 2014, was 12.7 billion liras (\$4.8 billion) in the first quarter of 2015. He said this "clearly indicates that there is not even a slight hesitation in budget discipline and there is a strong will to reach targets." He also said he expects growth to accelerate after the June parliamentary elections and four percent growth this year is still achievable. Core inflation has fallen to 7.1 percent, with the downward trend continuing, Şimşek said, also forecasting that Turkey's current account deficit would narrow to between 3.5 and 4 percent of national output this year.

Urbanization stimulating expansion in Turkish construction industry

Anadolu Agency, 13.04.2015



Urbanization, combined with the demand for higher quality buildings, is driving growth in Turkey's construction industry, analysts have told.

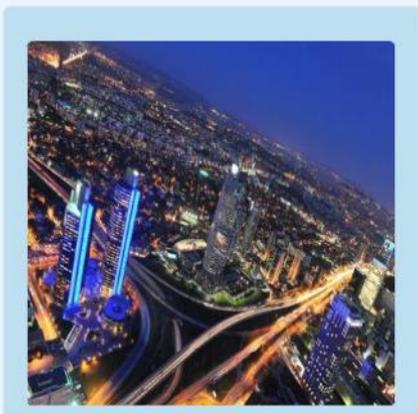
Turkey's population growth will outpace that of its regional neighbors, boosting investment in commercial and residential real estate, Richard Marshall, an infrastructure analyst with BMI Research in London, said. "The most recent statistics to come out of Turkey are the production and turnover indices for the construction industry. These show steady growth over the last year, a clear positive for the sector," stated an analysis conducted by the ITE Group.

In 2014, the Turkish construction sector's turnover increased by 4.6 percent over the previous year. In the last quarter of 2014, this rise continued as the turnover index improved by 0.9 percent compared to the third quarter, still slightly lower than the high point in the first three months. The first quarter of 2015 is expected to see an even greater rise, according to the ITE analysis. Meanwhile, overall production rose by 3 percent in 2014, compared with 2013, according to statistics from the Turkish Statistical Institute (TÜİK). "Urban transformation is gathering momentum in major cities, particularly in Istanbul," industry analyst Cameron Deggin told Anadolu Agency. "This is giving rise to major facelifts in old historic town centers gone to disrepair such as Istanbul's Gaziosmanpaşa, where the volume of urban transformation transactions is the highest," he added.

Other Istanbul areas with these trends included Bomonti, Şişli, Kağıthane, Talimhane and certain parts of Fatih, Deggin said, adding that similar high profile projects are ongoing in all major cities across the country. "By the year 2020, urban transformation targets are set to have redeveloped up to 350,000 housing units," Deggin predicted. With around 70 percent of Turkey's population living in cities, the need for both housing and major infrastructure projects in those areas is critical, ITE reported.

Foreign corporations in Turkey must file taxes by April 25

Hurriyet Daily News, 14.04.2015



The pace of growth and development in the Turkish economy and its foreign trade implications over the last decade, coupled with the deepening interconnectedness of markets across the globe and the interdependence of national economies - both those in geographical proximity to each other and those in distant continents - has brought topics related to direct and indirect foreign investment to the top of the agenda.

Taxation of firms with investments in foreign countries according to the respective tax jurisdictions where they operate is a principal subject in this regard.

As pointed out quite elaborately in my previous article published in this column on March 20 regarding the taxation of foreign landlords, all income generating entities, individuals and corporations alike, are subjected to tax provisions according to their tax-statute in Turkey. In other words, individuals and corporations, before being designated as taxpayers by the tax authorities, are classified either within the context of full tax liability or limited tax liability. Foreign corporations with investments in Turkey are deemed limited-liable taxpayers and are subjected to taxation on their income elements derived in Turkey by the provisions of the relevant tax laws, provided that they neither have legal headquarters or a center of transactions established in Turkey.

Income elements derived by foreign corporations on their activities carried out in Turkey that are liable to taxation according to the principles of limited tax liability are articulated one by one in the Turkish Corporate Tax Law (TCTL) as the following: Income derived from commercial and agricultural activities, Income derived from the rental of real estates and rights and returns on stocks and bonds, Income derived from conducting independent professional activities, Other income and earnings derived from activities specified by the law. Foreign corporations with a limited tax liability are expected to declare their aggregate income elements through filing different tax returns depending on their type of income and their activities.

Similar to domestic corporations with full tax liability, foreign corporations file an annual tax return depicting all their revenue elements generated from their commercial and agricultural activities and operations conducted in the course of the calendar year. This particular tax return is submitted to the tax office of the district in which their branch or permanent representative is located. In the absence of such a branch or permanent representative, the tax return is filed with the tax office of the business partners who provide the concerned income elements. The tax return regarding income elements derived from commercial and agricultural activities during the year 2014 should be submitted between April 1, 2015 and April 25, 2015. The payable tax calculated and assessed on behalf and account of managers or representatives of foreign corporations is paid at the end of April 2015.

Foreign corporations stopping their activities in Turkey altogether are also held responsible for filing a final tax return declaring all income derived from their commercial and agricultural activities carried out between the beginning of the accounting period (be it the calendar year or a special period) and the date of departure. That tax return shall be submitted within 15 days before the departure and the tax amount calculated is paid within the same period.

On the other hand, those foreign corporations that have merely “other income and earnings” derived from the disposal of movable and immovable capital elements or profit-generating incidental activities (specified between articles 80-82 of Personal Income Tax Law) have the legal obligation to file the so-called “special tax return” that encompasses only cited income elements. Since there is no specific taxation period such as accounting period or calendar year for the declaration of the incomes cited above, special tax returns shall be filed with the concerned tax office within 15 days from the date of the disposal of capital elements or fulfillment of the incidental activity. The tax office with the authority to receive these types of tax returns varies according to nature of the income element. The payable tax computed and finally assessed by the relevant tax office shall be paid within the filing period.

On the assumption that foreign corporations do not have any commercial and agricultural activities in Turkey (with all their revenues derived from the disposal of intangible rights such as copyrights, royalties, franchises, patents, company names, trademarks etc.), they are taxed by the buyers of these rights, who are held responsible by Article 30 of TCTL, to withhold 15 percent of the revenue paid to foreign corporations on behalf of the tax authority. Filing a tax return displaying these income elements is voluntary.

Poll: Turkish citizens see economic issues as largest problem before June elections

Hurriyet Daily News, 13.04.2015



As parliamentary elections in June approach, 53 percent of Turkish citizens believe Turkey’s current economic situation, unemployment and economic hardships are the most important issues faced by the country and its people, according to recent poll conducted by Ipsos.

According to the results of the Turkey Barometer February-March 2015 poll by Ipsos, citizens saw the general economic situation as the biggest problem in the country at 22 percent. Unemployment problems came next at 21 percent and economic hardships at 10 percent. Some 53 percent of the citizens’ largest problems were related to economic issues.

“The latest fluctuations in the currency rates, the slowing down in the economy and the resulting discussions have increased concerns over economic issues. These elements, directly related to daily lives, will most probably be the leading figures that affect the votes in the coming polls,” said Ipsos Turkey head Vural Çakır. Ipsos has published the results of the Turkey Barometer every two months since 2010. In the previous poll covering the months of November-December 2014, citizens said the biggest problem was unemployment at 21 percent. Some 8 percent of the citizens said the general economic conditions were the biggest problem and 9 percent said economic hardships. Some 38 percent of citizens saw these three issues as the biggest problem in the previous poll. The same rate, however, rose to 53 percent in the latest poll. In general, polls conducted prior to the 2011 parliamentary elections pointed to a much more optimistic outlook among Turkey’s citizens.

Industry shrinks as domestic demand falls

Hurriyet Daily News, 13.04.2015



The growth data of 2014 released on the last day of March and preliminary indicators released for the first three months of 2015 show that there is a serious slowing trend in the manufacturing industry, which is considered the backbone of the economy.

When industry slows down, the service sector also loses speed, starting with commerce and finance. The reason why the manufacturing industry is sounding the alarm has to be analyzed carefully and where it lies has to be found to accelerate growth again. Turkey’s economy was growing at an average of 7 percent, it too growing at the same rate.

However, with the global crises that came later it shrank in 2008 and 2009. In 2010 and 2011 it grew at an average of 12 percent, then came the recession years. Growth in the manufacturing industry went down to 1.7 percent in 2012 and stayed at 3.7 percent in the following two years. The reason the economy in general and industry in particular and its backbone the manufacturing industry have come to a bottleneck is because it has been designed for domestic demand and the exportation leg of it has been neglected.

When the growth rates are analyzed for the 2003-2014 period of the Justice and Development Party (AKP) governments, the average annual growth rate was 4.8 percent, with 3.3 points of this coming from household consumer spending while 1.6 points were investments and 0.7 points came from public spending. Foreign trade on the other hand did not have any positive contribution to growth in this period; it even pulled it down half-a-point. When growth rates in the manufacturing industry and household consumer spending rates are compared, it can be observed that there is a major overlap.

The average growth rate of the period between 1999 and 2014 for the manufacturing industry was 4.1 percent, and for expenditures of households, it was 3.8 percent. This shows the dominant role of domestic demand in the growth and shrinkage of the manufacturing industry. Especially in the period between 2000 and 2008, the rates were quite close. In the 2010 to 2014 period, the growth rate in manufacturing industry reached 6.6 percent, whereas household spending remained at 4.1 percent. With the decline in consumption, the manufacturing industry was observed to have lost wind.

In the acceleration of household expenditures, which carries wind to the manufacturing industry, consumer loans and credit card payments, in other words personal loans, have a principal place. With the rise in 2003 of external capital inflow which corresponded to an annual average of \$40 billion, credit volume banks provided for the consumer and commerce segments, to small and medium-sized enterprises (SMEs), rapidly increased. The credit volume which was 102 billion liras in current prices in 2004 reached 1.257 trillion liras in 2014, a rise of 1132 percent. In the same period the increase in the consumer price index (CPI) was 142 percent, telling us that the credit volume had increased extraordinarily.

Out of the 102 billion liras in loans the banking sector provided in 2004, 26 billion liras were personal loans. In other words, they were the consumer loans on vehicle, house and personal finance credits as well as other loans over credit cards. This amount kept its share in following years among total loans and as the average of the period of 2004-2014, the share of personal loans in total loans reached 31 percent. With the effect of the interest rate rises in 2014, personal loan usage declined. The total amount of personal loan stock of 354 billion liras constituted 28 percent of total loans. In 2014, it can be seen that personal loan usage increased 7.2 percent in current prices but stayed 1 point behind CPI, showing a real decline. A withdrawal was observed, especially in vehicle and credit card loans. Credit card debtors started preferring consumer loans because their interest rate was lower, but as a whole, personal loan usage declined. This lowered household consumption; the decreased demand created a slowing effect on the wheels of the manufacturing industry.

While growth in 2014, and as a sub-branch of it, the growth in general industry and the manufacturing industry, was lower than the target, there also has not been a good start for 2015. Data released for the first quarter of 2015 points to zero or below zero growth. The main indicators that strengthened this estimate are the following: The Industry Production Index declined for the first time in the past four years in January. In January, seasonally and calendar-adjusted industry production fell 1.4 percent compared to the previous month. Production on a monthly basis fell 7.4 percent in mining and 1.4 percent in manufacturing.

One other negative indicator is about turnovers. In January, the Industrial Turnover Index seasonally-adjusted lost almost 5 percent compared to December 2014. The capacity usage rate in the manufacturing industry, on the other hand, went down 0.4 points compared to the previous month and 0.7 points compared to March 2014, falling to 72.4 percent. From all this data, it can be understood that industry is losing power and does not give much hope in terms of growth in the first quarter of 2015.

There was no change in the external demand to compensate for the shrinkage in domestic demand. While exportation fell 3.4 percent in the first two months of 2015, imports also, with the effect of decreased investments and production, fell 10.6 percent. The Turkish Exporters Assembly (TİM) announced that the fall in exports in March was 13.34 percent. Also, this data increases the possibility that the growth data to be released by Turkish Statistical Institute (TÜİK) on June 10 will show a negative figure.

First quarter data confirms that the year 2015 will also be a tough year in the global economy. In 2014, China's growth rate was 7.4 percent, the lowest in 25 years. A recovery in the eurozone economies is hoped to arrive with the monetary expansion program. The foreign resource inflow, which decreased at a rate of one-third in 2014, continued to decrease in the first quarter of 2015. This pushed the dollar exchange rate upward as well as postponed a climate suitable for investments and interest rate cuts. It also caused rises in costs and increased prices.

The fact that 2015 is a general election year has made several domestic and international investors go into "wait and see" mode. The AKP government not being able to find a solution to the stagnation of the past three years has triggered the argument that "A new story for growth is needed," but this expectation has not been reciprocated yet. If in the short term, with a recovery in low and medium income segments' incomes, an increase in demand is created then an extreme shrinking of the economy can be prevented. This requires that a portion of the budget expenditures be used to increase the salaries of civil servants and the retired so that household spending increases. This is possible by lowering defense-security and bureaucracy expenditures and with more justice in taxation. However, instead of this method, the government seems to have chosen populist measures, such as to using the Unemployment Fund resources which have reached 85 billion liras, to influence voter preferences. This is both wasting the fund and wasting time on policies that have no contribution to growth. These kind of voter-focused policies do not solve the problem; they just inflate the bill that is to be sent to society in the future.

Top Turkish bosses: Economy success story being damaged

Doğan News Agency, 11.04.2015



Turkey's economic success story has been deteriorating for a while and the country needs to change this atmosphere by means of comprehensive reforms in various fields, said the head of the country's top business organization.

"A number of new refreshing institutions, modern rules and an improving investment environment, all of which played a great role in writing the success story, have recently been replaced by negative conditions which challenge the success story. The EU membership target is now vague and the rule of law is weakening. A slower structural-making process is now the case," TÜSİAD President Cansen Başaran Symes said.

She said a much more positive atmosphere needed to be built across the country. “Economic performance, democratic standards, institutions and the rule of law are all a part of the whole structure. Many recent studies have shown there is a strong relationship between a strong democracy and economic development. According to these studies, stronger democracies fuel economic growth by means of several tools, including inclusive economic reforms, the spread of an educational system of high quality, a developed health system, an improved investment environment and the establishment of social peace... We need to maintain all of them,” she said.

She noted Turkey had achieved this before. “We need to revive the EU membership agenda and create a positive atmosphere within the country by refreshing good policies and practices in line with a comprehensive reform initiative. All of us need this,” she said. Symes said Turkey’s economic growth has been slowing down and there has been a decrease in the flow of investments. “The slowdown in the GDP’s growth has become a global problem since the 2008 crisis... Turkey, however, faces a rising inflation problem in addition to the slowing down in growth, causing Turkey to be differentiated from other countries negatively,” she said. Symes underlined inflation has been increasing recently, topping the agenda over the conditions of the investment environment or development. “The rising trend in the inflation rate has been a potential obstacle before the growth and the competitiveness of the economy. This potential risk makes us concerned, especially when the past bad experiences with high inflation problems are considered,” she said.

Turkey’s Alkhair Capital plans expansion, eyes Islamic bond advisory

Reuters, 15.04.2015



Turkish Islamic asset manager Alkhair Capital plans to launch new funds this year and will start a service to advise on Islamic bonds, or sukuk, its general manager said. Three Turkish state-run banks are launching Islamic units, widening the reach of interest-free finance in the majority Muslim nation, but wealth management has lagged behind with only a handful of products in the market.

Alkhair Capital, majority-owned by Bahrain’s Bank Alkhair, is the only full-fledged Islamic investment firm in the country, with AZ Global and BMD Securities offering some sharia-compliant products of their own.

Last month, the firm raised its capital to 5 million lira (\$1.86 million) from 2 million lira, to meet new capital requirements coming into force in July, a move that will also help fuel its expansion drive. “We are increasing our headcount, we are adapting our company to the new legislation and expanding our product base,” general manager Ali İlhan told Reuters in emailed comments. “We are planning to launch new mutual funds in the near future - probably in the third quarter.”

The firm currently manages three Islamic funds, which screen their portfolios according to religious guidelines such as bans on tobacco, alcohol and gambling, in much the same way as socially responsible funds. A wider pool of Islamic financial instruments has emerged in recent years which have improved the sector's prospects, and the firm plans to develop discretionary portfolio management (DPM) products and to advise clients on their sukuk investments, İlhan said. "Sukuk is a relatively new instrument for Turkish investors and we see a great opportunity in this line of business. We have not been very active on DPM lately, but this year we are planning to offer different alternatives for Islamic investors." The introduction of a new electronic fund distribution system, known as TEFAS, will also allow for the selling of its funds through third-parties, he added. New entrants are also likely. In September, Turkey's RHEA Asset Management and Malaysia's CIMB-Principal Islamic Asset Management signed an agreement to explore joint opportunities in the sector.

Turkish lender obtains permission to work in Montenegro

Anadolu Agency, 16.04.2015



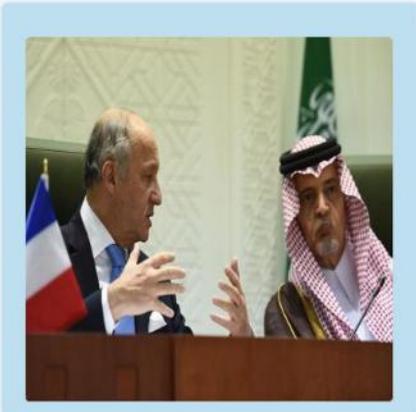
Montenegro's Central Bank decided to grant permission to Turkey's state-run Ziraat Bank to operate in the country officials said.

Ziraat Bank applied for permission in December 2014 and it is expected the Turkish lender will begin opening branches in the coming months. Meanwhile, the Ziraat Bank general manager said the bank will launch licensed banking in Montenegro and Azerbaijan in addition to opening a branch in Kosovo this year. There are currently 12 banks operating in Montenegro, though only Prva bank, Atlas bank and IBM with domestic capital, according to the Central Bank data.

Ziraat Bank is the largest state bank in Turkey. The Ziraat network operates in the fields of insurance, leasing, investment and insurance funds. Along with Vakıfbank and Halkbank, Ziraat is one of the three state lenders which have taken steps to open up interest rate-free participation banks.

Coalition strikes Yemen rebels as France voices support

AFP, 12.04.2015



Saudi-led air strikes hit a rebel base in central Yemen and clashes raged in southern city Aden as France’s top diplomat voiced Western support for the air campaign in Riyadh.

In the third week of strikes mounted by Saudi Arabia and its allies, French Foreign Minister Laurent Fabius said Paris was “naturally on the side of its regional partners for the restoration of stability in Yemen,” according to his entourage. “Concerning Yemen, we are here to demonstrate our support, especially political, to the Saudi authorities,” Fabius told reporters as he began a series of meetings with the Saudi leadership including King Salman.

Saudi Arabia, an important ally of France, leads a coalition of nine Arab countries which since March 26 has carried out air strikes against the Houthi Shiite rebels who overran the capital Sanaa in September. Riyadh feared the rebels would take over the entire country and move it into the orbit of Shiite Iran, Sunni Saudi Arabia’s regional rival. Air strikes continued to target positions of the Houthis and their allies. A pre-dawn strike hit Camp 22 in al-Dhahra in the south of Taz province killing 15 rebels or allied troops, a medic at al-Thawra hospital said.

The base belongs to the elite Republican Guard which remained loyal to former president Ali Abdullah Saleh after he was forced from power in 2012 following a year of nationwide protests against his three-decade rule. Saleh has allied his followers with the Houthi rebels in their battle against forces loyal to fugitive President Abedrabbo Mansour Hadi. The Saudi-led coalition said on April 11 that it had conducted 1,200 air strikes since March 26 and neutralized the air and missile capabilities of the rebels and their allies.

The air campaign, which has been accompanied by a naval blockade, was launched as the rebels closed in on Hadi’s refuge in Aden. The president escaped to neighboring Saudi Arabia as the rebels and their allies entered the port city sparking fierce fighting with his loyalists. Four civilians were shot dead in the city’s Mualla and Dar Saad districts on April 11, a medic at the Ba-Suhaib military hospital said. A Hadi loyalist blamed rebel snipers for the deaths. In the west of Aden, five rebels and three loyalist militiamen were killed in clashes that flared as the rebels tried to advance towards the city’s oil refinery, sources on both sides said. Since the air campaign began, fighting has flared in 15 of Yemen’s 22 provinces. These include Aden, Daleh, Lahj, Abyan and Shabwa in the formerly independent south, where locally recruited militia have remained loyal to Hadi. Taz, Ibb, Baida, Hodeida, Raymah, Amran, Hajja, Saada, Jawf and Marib have seen clashes between the rebels and tribes loyal to Hadi, or with Saudi troops across the border.

Meanwhile, al-Qaeda militants have taken advantage of the security vacuum to seize control of Mukalla, the capital of Hadramawt province in the southeast. Humanitarian agencies have managed to deliver more aid. A Red Cross plane landed in Sanaa with more than 35 tons of medical aid and equipment. It followed two flights organized by the International Committee of the Red Cross and the United Nations, each carrying 16 tons of medicine and equipment in the first aid delivery since the air war began. A Russian naval vessel evacuated 308 people of various nationalities from Aden, a defense ministry official said in Moscow. They included 45 Russians, 18 Americans, five Britons and 159 Yemenis, as well as citizens of other Middle Eastern and former Soviet states and were expected to arrive in the Djibouti. The U.N. refugee agency UNHCR says at least 900 people, most of them Somalis, but also including Yemenis, have arrived in the Horn of Africa in the past 10 days.

Iraq PM says will ask US for more arms, strikes

Reuters, 13.04.2015



Iraqi Prime Minister Haider al-Abadi said that he will use a visit to the United States to seek increased air support and arms deliveries to aid Baghdad's battle against jihadists.

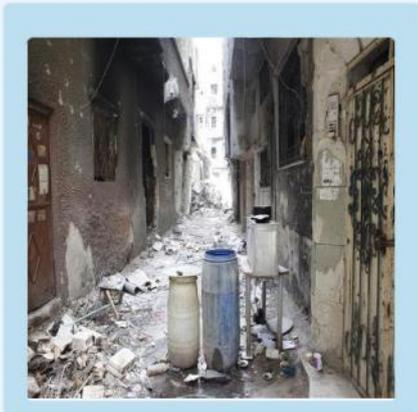
"Number one is a marked increase in the air campaign and the delivery of arms," Abadi told when asked what he wants during a visit to Washington. There has already been an increase, "but we want to see more," he said before boarding his plane. Abadi also said that "we want strict measures to stop the flow of foreign terrorists to Iraq," and that international efforts are needed to curb oil and antiquities smuggling, by which the jihadists gain funds.

He is expected to request that Iraq be allowed to defer payment for arms purchases, given the country's major shortage of funds due to a decline in oil prices and the cost of its war against the Islamic State of Iraq and the Levant (ISIL). The United States is leading an international coalition that is carrying out air strikes against ISIL and also providing arms and training for Iraqi security forces. The jihadist group led an offensive that overran large parts of Iraq last June. Multiple Iraqi divisions collapsed in the early days of the jihadist-led drive, but Iraqi forces and allied paramilitaries have since succeeded in retaking significant territory from ISIL. But pro-government paramilitaries have also carried out looting and burning as well as extrajudicial killings, raising concerns over the major role they play in the fight against ISIL. Large parts of two provinces - Nineveh in the north and Anbar in the west - still remain under ISIL control.

Meanwhile, Iraq's prime minister retired more than 300 officers as part of efforts to restructure the army, his office said. Abadi "sent more than 300 officers at the defense ministry into retirement as part of a plan to reorganize the army and make it more effective and efficient," it said. The one-sentence statement did not provide details on the ranks and positions of the officers, or specifics on why they were removed from Iraq's massive officer corps. Abadi has removed army and police officers including senior leaders on several occasions, firing some and allowing others to retire, but this is the largest number to be sacked at one time.

Residents: ISIL withdraws from Yarmouk camp, Nusra remains

Reuters, 15.04.2015



ISIL fighters have largely withdrawn from a Palestinian refugee camp on the outskirts of Damascus after expelling their main rival, several residents and a Palestinian official said. The pull-out from Yarmouk leaves al Qaeda-linked Nusra as the main group inside the camp.

The sources said hundreds of fighters of the hardline ISIL had returned to their stronghold in neighbouring Hajar al Aswad, from where they had launched their attack earlier this month. "Most of them have withdrawn in mostly to-and-fro skirmishes that took place between them and their adversaries," resident Abu Ahmad Hawari said.

Alongside seeking to capture the camp, they sought to defeat their rival, the Hamas-linked Aknaf al Maqdis, an opposition group that was ideologically opposed to them. ISIL's arrival in Yarmouk had given the jihadist group a significant foothold a few kilometers from Syrian President Bashar al-Assad's seat of power. The group was still fighting some of the remaining Aknaf al Maqdis fighters in the northern entrance of the camp at the junction of the main Palestine and Yarmouk streets, two residents said.

The withdrawal leaves al-Qaeda offshoot al Nusra as the biggest force in the camp, many of whose residents have fled since ISIL launched its offensive, they added. The Palestine Liberation Organisation envoy to Damascus said that Nusra was now the main group in the camp. "They and Nusra are one. They are changing positions," Anwar Abdul Hadi told Reuters. Nusra was accused by its rivals of facilitating the entry of ISIL militants into the camp. Although they are rivals elsewhere in Syria, both share a loathing for Aknaf al Maqdis. But Nusra, unlike ISIL, was not ready to push its rivalry to a military confrontation and did not engage in the latest round of fighting in Yarmouk, according to residents. The camp was home to some 160,000 Palestinians before the Syrian conflict began in 2011, refugees from the 1948 war of Israel's founding, and their descendents.

UN peace envoy to Yemen resigns

AFP, 16.04.2015



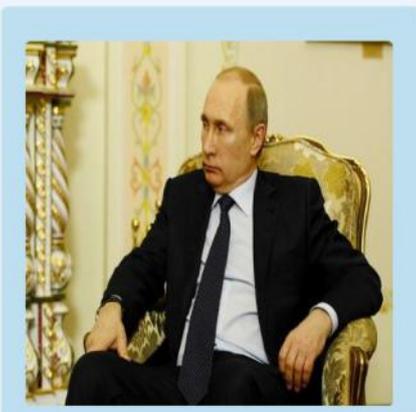
The UN peace envoy to Yemen, Jamal Benomar, has resigned, the UN said, after losing support from Gulf countries for his mission in the conflict-riven nation. The Moroccan diplomat had been UN Secretary General Ban Ki-moon's special envoy for Yemen since 2012.

Benomar has "expressed an interest in moving on to another assignment," the UN statement said. A UN official had earlier confirmed that Benomar had quit his post. Among the candidates who may take his place is Mauritanian diplomat Ismail Ould Cheikh Ahmed, who currently heads the UN Ebola mission in Accra, said the official.

Benomar's departure came after the UN Security Council adopted a resolution calling for the swift resumption of peace talks and an end to violence in Yemen. Fighting has escalated in the poor Arab country after a Saudi-led coalition launched an air war on March 26 to stop the advance by the Shiite Huthis. Gulf countries accuse Benomar of having been duped by the Huthis who held peace talks while the group pressed their offensive for more territory. Ban "greatly appreciates the tireless efforts Mr. Benomar has made over the years to promote consensus and trust on a peaceful way forward in Yemen," the UN statement said. Yemen's UN-recognized President Abedrabbo Mansour Hadi fled to Saudi Arabia when the Huthis advanced on Aden, his stronghold in the south, weeks after they seized Sanaa.

Russia lifts ban on missile deliveries to Iran, start oil-for-goods swap

Reuters, 13.04.2015



Vladimir Putin paved the way for long-overdue missile system deliveries to Iran and Moscow started an oil-for-goods swap with Tehran.

The moves come after world powers reached an interim deal with Iran on curbing its nuclear program and signal that Moscow may have a head-start in the race to benefit from an eventual lifting of sanctions on Tehran. The Kremlin said Putin signed a decree lifting Russia's own ban on the delivery of S-300 anti-missile rocket system to Iran, removing a major irritant between the two after Moscow cancelled a corresponding contract under pressure from the West.



A senior government official said separately that Russia has started supplying grain, equipment and construction materials to Iran in exchange for crude oil under a barter deal. Sources told Reuters more than a year ago that a deal worth up to \$20 billion was being discussed with Tehran and would involve Russia buying up to 500,000 barrels of Iranian oil a day in exchange for Russian equipment and goods. Officials from the two countries have issued contradictory statements since then on whether a barter deal has been signed, but Deputy Foreign Minister Sergei Ryabkov indicated one was already being implemented. "I wanted to draw your attention to the rolling out of the oil-for-goods deal, which is on a very significant scale," Ryabkov told a briefing with members of the upper house of parliament on the talks with Iran. "In exchange for Iranian crude oil supplies, we are delivering certain products. This is not banned or limited under the current sanctions regime." He declined to give any further details. Russia's Agriculture Ministry declined comment and the Energy Ministry did not immediately respond to request for comment. There was no comment from Iran.

Russia hopes to reap economic and trade benefits if a final deal is concluded to build on the framework agreement reached in the Swiss city of Lausanne between Iran and six world powers - Russia, the United States, France, Britain, Germany and China. The sides have until the end of June to work out a detailed technical agreement under which Iran would curb its nuclear program and allow international control in exchange for a lifting of economic sanctions. Tehran has denied that its nuclear activities are designed at developing atomic weapons.

Iran is the third largest buyer of Russian wheat, and Moscow and Tehran have been discussing the barter deal for more than a year. Russia's state-controlled grain trader in September lowered the value of its potential grain supplies to Iran under the barter to \$500 million annually. In December, Iran's oil minister denied Tehran and Moscow were close to a deal. Ryabkov also suggested Russia had high hopes that its steady support for Iran would pay off in energy cooperation once international sanctions against the Islamic republic are lifted. "It takes two to tango. We are ready to provide our services and I am sure they will be pretty advantageous compared to other countries," he said. "We never gave up on Iran in a difficult situation... Both for oil and gas, I think the prospects for our cooperation should not be underestimated." He also reiterated Moscow's line that an arms embargo on Iran should be lifted once a final nuclear deal is sealed. One upper house lawmaker asked Ryabkov whether lifting sanctions on Tehran could undermine Russia's position on global energy markets, including as the main gas supplier to Europe. "I am not confident as yet that the Iranian side would be ready to carry out supplies of natural gas from its fields quickly and in large quantities to Europe. This requires infrastructure that is difficult to build," he said.

Don't underestimate NATO, German minister says on Baltic visit

Reuters, 14.04.2015



Nobody should underestimate NATO's rapid response capacity, which has been ratcheted up in response to worries about Russia's military ambitions after its actions in Ukraine, according to Germany's defense minister.

Leyen said in Estonia, whose president fears the Baltic state could be overrun in hours, that the Western military alliance has demonstrated its determination to defend its eastern flank in recent months. "Of course the issue of speed and of an adequate response to potential threats plays a major role, and I can only recommend that NATO's reaction capacity should not be underestimated," she told.

"We have shown the necessary adaptability and this is also a reaction to fast exercises we have seen on the other side of the border," she said, citing plans to boost defenses and build out a new NATO "spearhead" rapid reaction force of 5,000 soldiers. She was responding to a question about Estonian President Toomas Hendrik Ilves' comments that while it would take NATO up to a week to deploy to the Baltics, "our neighbor" has shown in exercises that its strike speed is "basically instantaneous." "They're here and it's over in four hours," Ilves told the British newspaper The Telegraph in an interview published over the weekend.

NATO, surprised by the speed of Russia's military intervention in Ukraine's Crimean peninsula last year, has decided to speed up the response time of its rapid reaction forces. Its "spearhead" force is unlikely to be fully operational until 2016 or 2017, but NATO has been focusing on its existing reaction force, whose troops are supplied this year by Germany, the Netherlands and Norway. Some of NATO's Eastern European allies are disappointed at the U.S.-dominated organization's reluctance to station large numbers of troops on their territory.

European Parliament set to vote on 'genocide' claims

AFP, 07.04.2015



The European Parliament is set to discuss and vote on a resolution on the claims of genocide about the mass killings of Armenians at the hands of Ottomans a century ago.

The European Parliament will decide whether to name the year 2015 as the centennial of the Armenian genocide perpetrated in the Ottoman Empire. The draft joint motion stated an increasing number of EU member states and national parliaments recognize the Armenian genocide, outlining the main motivations of its unification movement is to prevent the recurrence of wars and crimes against humanity in Europe.

If passed, the Parliament would “pay tribute, on the eve of the Centenary, to the memory of the one-and-a-half million innocent Armenian victims who perished in the Ottoman Empire,” linking the centenary commemoration of the genocide to the spirit of European brotherhood, solidarity and justice. The parliamentarians will also decide whether to pay tribute to “the memory of innocent victims of all genocides and crimes committed against humanity through the establishment of a European International Remembrance Day for all genocides.”

They will also discuss whether to accept the statements of President Recep Tayyip Erdoğan and Prime Minister Ahmet Davutoğlu offering condolences and recognizing the atrocities as a step in a right direction. The statement said the importance of the ceremony in Armenia as an “important opportunity for Turkey to continue its efforts, including the opening of the archives, to come to terms with its past, to recognize the Armenian genocide and thus pave the way for a genuine reconciliation between Turkish and Armenian peoples.” The Parliament is likely to invite Turkey to “respect and fully realize the legal obligations it has undertaken for the protection of cultural heritage,” by conducting “an integrated inventory of Armenian and other cultural heritage sites destroyed or ruined during the past century.”

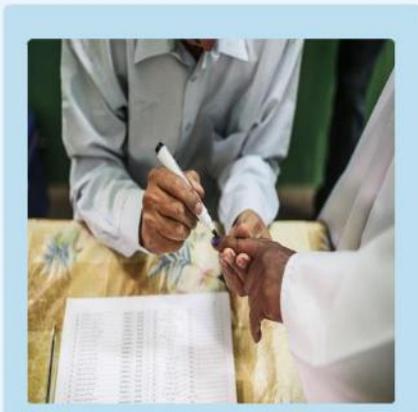
Secretary-General Ban Ki-moon, meanwhile, considers the killings “atrocious crimes,” but he does not support Pope Francis’ description of the killings as “the first genocide of the 20th century.” In response to the Pope’s comments on April 12, Ankara withdrew its Vatican ambassador, while accusing Francis of spreading hatred. Armenia calls the violence of 1915 a “genocide,” defending that 1.5 million people were killed, while Turkey says the death toll has been inflated and that those killed were victims of civil war and unrest. “The U.N. has sought to strengthen the capacity of the international community to prevent such atrocity crimes from ever occurring,” U.N. spokesman Stephane Dujarric said.

Dujarric told reporters that Ban took note of the Pope's comments and is fully aware of "the sensitivities related to the characterization of what happened" in 1915 and the April 24 commemoration of "the tragic events" by Armenia and others around the world. He said the secretary-general firmly believes that the commemoration, along with continuing cooperation between Armenians and Turks to establish the facts surrounding the events, "should strengthen our collective determination to prevent similar atrocity crimes from ever happening in the future." Dujarric said Ban did not envision an international commission was necessary to examine the facts. "There've been discussions with the countries concerned, and communities concerned and I think it's important that those discussions continue."

The Pope made his pronouncement during a mass in St. Peter's Basilica commemorating the centenary, with Armenian church leaders and President Serge Sarkisian in attendance. Francis said it was his duty to honor the memory of the innocent men, women and children who were "senselessly" murdered by the Ottoman Turks. European Union urged Turkey and Armenia to normalize ties. EU Foreign Affairs Spokesperson Maja Kocijancic said the EU encouraged the countries "to consider additional, meaningful steps that would pave the way toward full reconciliation."

Polls open in Sudan presidential, parliamentary elections

AFP, 13.04.2015



Polls opened in Sudanese presidential and parliamentary elections that are expected to extend the quarter-century rule of incumbent Omar al-Bashir as the opposition boycotts.

Outside a polling station in Khartoum's El-Daim neighbourhood representatives of the candidates had already set up stalls, and inside electoral volunteers waited for the first voters in the three-day elections which have already drawn international criticism. A team of four local observers watched over the ballot boxes, while the streets outside were quiet after the government declared polling day a public holiday late the night before.

The mainstream opposition is boycotting the elections and has called on voters to stay away, saying that the conditions in the country are not right for free and fair polls. Facing just a clutch of little-known challengers, Bashir, the world's only sitting head of state wanted on war crimes charges, is widely expected to win comfortably. The European Union warned ahead of the vote that it could not produce a "credible" result because Bashir's National Congress Party snubbed a meeting with the opposition to organise a national dialogue last month. The elections for the presidency and the national and state parliaments end on April 15 and the results are expected at the end of April.

Japan court blocks restarting of two nuclear reactors

AFP, 14.04.2015



A Japanese court issued a landmark injunction against the restarting of two atomic reactors, after the country's nuclear watchdog had given the green light to switch them back on.

The district court in the central prefecture of Fukui made the temporary order in response to a bid by local residents to halt the restart of the No. 3 and No. 4 reactors at the Takahama nuclear power plant, a court official said. The Nuclear Regulation Authority (NRA) last December approved the restarting of the reactors, saying they met tougher safety standards introduced after Japan's tsunami-sparked nuclear disaster at Fukushima in 2011.

But "the safety of the reactors hasn't been secured", the court ruled, saying the watchdog's new standards were "lacking rationality", according to public broadcaster NHK. Plant operator Kansai Electric Power described the injunction as "extremely regrettable and utterly unacceptable" and said it would appeal against the decision. A lawyer representing the plaintiffs called the ruling a "perfect victory". "This is the best decision that we could have expected," he told supporters outside the courthouse.

Two other reactors at Takahama also remain offline. A separate court ruling on the restart of two other reactors in southern Japan is expected later this month. Pro-nuclear Prime Minister Shinzo Abe has backed an industry push to return to nuclear -- which once supplied more than one quarter of Japan's electricity -- as a plunging yen sent the country's energy import bill soaring. But Japan has seen a groundswell of public opposition to the technology since Fukushima, where reactors went into meltdown after a tsunami swamped their cooling systems -- setting off the worst atomic disaster since Chernobyl in 1986. Japan's entire stable of nuclear power stations was gradually switched off following the disaster, while tens of thousands of people were evacuated due to concerns about radiation exposure. Many are still unable to return to their homes and scientists have warned that some areas around the plant may remain uninhabitable for decades or more.

US and Cuba make history as Obama and Castro shake hands

AFP, 15.04.2015



Presidents Barack Obama and Raul Castro have made history shaking hands in a symbolically charged gesture as they seek to restore ties after decades of hostility between the US and Cuba.

Their first formal face to face came at the start of the Summit of the Americas in Panama, dominated by the rapprochement between the Cold War enemies. The US leader, not even born at the time of Cuba's revolution, said his country no longer seeks to impose its will on Latin America. "We are respectful of the differences among our countries," Obama said, just before the summit got underway.

"The days in which our agenda in this hemisphere so often presumed that the United States could meddle with impunity, those days are past." On relations with Havana, Obama said: "The United States begins a new chapter in our relationship with Cuba. We hope it will create an environment that improves the lives of the Cuban people." Obama and Castro are expected to meet again on Saturday and talk about their efforts to restore full diplomatic relations and boost trade and travel between the two countries.

The US looks close to removing Cuba from a list of countries it says sponsor terrorism. Doing so would clear a major obstacle in the effort to restore diplomatic relations between Washington and Havana, paving the way for the reopening of embassies that have been shut for 54 years. But there is no reconciliation in sight with communist-run Cuba's closest ally Venezuela. Its president Nicolas Maduro took a swipe at Washington on his arrival for the summit by visiting a monument to victims of the US invasion of Panama in 1989.



Announcements & Reports

► *Russia, Iran, and the S-300 Air Defense System*

Source : CSIS

Weblink : <http://csis.org/publication/russia-iran-and-s-300-air-defense-system>

► *U.S.-Cuba Relations: It's All About Momentum*

Source : CSIS

Weblink : <http://csis.org/publication/us-cuba-relations-its-all-about-momentum>

► *Financial Stability in the Broader Mandate for Central Banks: A Political Economy Perspective*

Source : Brookings

Weblink : <http://www.brookings.edu/research/papers/2015/04/14-financial-stability-mandate-central-banks>

Upcoming Events

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

Date : 19 April 2015

Place : Washington - USA

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

► *Intertwined Economic and Political Fortunes in the Southern Cone: The Future of Brazil and Argentina*

Date : 20 April 2015

Place : Washington - USA

Website : <http://www.brookings.edu/events/2015/04/20-brazil-argentina-future>

► *U.S.-China Think Tank Summit*

Date : 21 April 2015

Place : Washington - USA

Website : <http://www.brookings.edu/events/2015/04/21-us-china-think-tank-summit>



► *Growth, Development and Environmental Economics in Asia*

Date : 22 April 2015
Place : London - UK
Website : <http://www.chathamhouse.org/event/growth-development-and-environmental-economics-asia>

► *Strategy Roundtable: Strengthening Data Sharing for Public Health*

Date : 23 April 2015
Place : London - UK
Website : <http://www.chathamhouse.org/event/strategy-roundtable-strengthening-data-sharing-public-health>

► *Negotiating With Terrorists*

Date : 23 April 2015
Place : London - UK
Website : <http://www.chathamhouse.org/event/negotiating-terrorists>

► *Mobilizing Capital Towards A Low-Carbon Economy*

Date : 27 April 2015
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/513-mobilizing-capital-towards-a-low-carbon-economy/>

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

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