

## Large industry losing blood

Hurriyet Daily News, 22.06.2015



It has been proven by data from “Turkey’s Top 500 Industrial Enterprises - 2014” that the construction-focused, domestic market-oriented growth path which has been pursued for the past 10 years does not generate any foreign currency and has caused a significant loss of blood in Turkey’s manufacturing industry while eroding its competitive power.

According to the Istanbul Chamber of Commerce (İSO) and Turkey’s Top 500 Industrial Enterprises - 2014, more than half of the real operating income, which is 30 billion Turkish Liras, of the top 500 firms was spent on financing, which corresponded to 16 billion liras.

The share of the real assets of the top 500 companies in total assets fell to 46 percent from 50 percent. The number of companies that are at a loss was 83. The reason losing companies remained at that level was because of their foreign currency positions. With the effect of the mobility in foreign exchange rates and conjuncture factors, certain companies had positive foreign exchange positions; the fall in the profits of the top 500 was compensated. The most important parameter of whether companies had a healthy financial structure was that the ratio of total debt to equity capital remained at its highest level, 132.4 percent, last year. According to the data of the companies in 2014, the rate of using low-tech was 40 percent while the use of medium-low tech was 37 percent, with the use of medium-high tech at 19 percent and high-tech at 3 percent. According to the report, the top 500 companies allocated 0.7 percent of their sales for research and development (R&D) costs. The number of enterprises with foreign capital shares fell to 126 in 2014.

İSO head Erdal Bahçivan said, based on the findings of the report, there has been a serious decline in the performance of the top 500 industrial enterprises. While the operating profits of companies fell 6.4 percent to 30 billion liras, Bahçivan said, “What is essential for us is the operational profit of the industrialist. It is concerning that this figure has dropped. The rise in the profits of the industrialists came from the positive effect of opportunities in non-operating profits. However, the profits stemming from industry, which is the main operation, should never be pushed to the background.” Bahçivan also pointed to the problems stemming from the dominant use of low-tech in industry, emphasizing that companies should opt for technology and added value.

Industry has been losing its dominance in the general economy for the past 15 years and this is continuing. In the first quarter of 2015, in an economy which grew 2.3 percent, the growth of the manufacturing industry was 0.8 percent. This was an indication of the “quality of growth” which had been mentioned many times before. Growth was predominantly consumer-based. The İSO head said, “Anybody who considers the future of Turkey should be able to see this vicious circle. Decision makers and us industrialists should break this and reverse it. It is observed that our industrialists have been defeated by the pressure of the foreign exchange rate and finances.”



Total sales of companies in 2014 went up 3.9 percent to 473 billion liras, but when it was reminded that 8.2 percent of this increase remained under the inflation rate of 2014, there was a drop in real sales. When operating profits are reviewed, the performance of the top 500 companies fell compared to the previous year. In 2013, the top 500 had increased their operating profits to 8 percent; in 2014, the operating profit rate dropped to 6.4 percent. Last year, industrial enterprises spent almost half of the profits they obtained from their main operating areas for their financing expenses. In 2013, the top 500 companies had nearly 36.5 billion liras of operating profits, spending more than half of it, some 19 billion liras in financings expenses. In 2014, the top 500 companies look as if they lost more than half of their 30 billion operating income, with 16 billion liras in financing expenses.

Bahçivan drew attention to the sustainability issue, saying, “Despite the drop in profitability, it is appreciated that our industrialists maintain their desire and struggle to produce but I want to point out that this is not sustainable.” He said it was difficult for Turkey to reach its desired aims, to be competitive and to be able to invest with an operating profitability of around 6 percent. The effect of construction-oriented growth on the loss of blood in industry is of course being discussed. The İSO head said, “As industrialists, we are not against construction or builders; we are against the fact that everybody has become builders. It is indeed true that in a country such as Turkey, the correctly built construction does bring an added value to industry; however, the increasing trend of abandoning industrial operations to take up construction is concerning us in terms of the future of Turkey and the sustainability of both industry and construction.” In Turkey everybody agreed an economic growth model based on industry should be started, Bahçivan said, adding, “We hope that this agreement turns into practice. We are not against construction but we argue that it is not for the good of Turkey to give up on industrial expertise and shift to different sectors.”

Bahçivan said, “Extremely negative financial factors and also the fact that we were in an election year in the first half of 2015 as well as negative developments in the world conjuncture, prevent us, unfortunately, from being hopeful for the rest of 2015. I don’t think the second quarter will be any different than the first quarter. Even though certain circles uphold the estimation of over 3 percent growth in 2015, we are observing a risk of lower than last year’s growth for 2015. The state of affairs points to a growth of around 2 percent for Turkey in 2015.” Turkey has to show, in this period, an example of conciliation, to do business over reconciliation, succeeding in obtaining productive results by evaluating different ideas in a pool, Bahçivan said. “This is what suits the maturity of our democracy as well as the maturity of our political parties and our leaders. For this reason, this negotiation period should be watched with patience by all social circles. I want to emphasize that until the talks reach a certain maturity, an understanding approach should be adopted toward all political parties and its leaders,” he said.

Heading the top 500 list, TÜPRAŞ sat first with its sales from production figure of 37.5 billion liras, having increased its net sales 3.9 percent to 473 billion liras compared to 2013. The top companies were dominantly from the petrochemical, automotive and iron-steel sectors, with Ford Automotive coming second with its 10.5 billion liras in sales from production and Oyak-Renault third, after coming in fourth the previous year, with its sales figure of 8.77 billion liras.

## Association: Turkey ranks 22nd most popular spot for foreign direct investors

Hurriyet Daily News, 24.06.2015



Foreign direct investment (FDI) into Turkey was \$12.1 billion in 2014, making the country the 22nd most popular spot for investors in the world, while the country is expected take in another \$12 billion this year, said Ahmet Erdem, head of the International Investors Association (YASED), in a joint meeting with the United Nation's Conference on Trade and Development (UNCTAD).

According to the UNCTAD, Turkey took a share of around 1 percent in global investment. "We expect Turkey will continue to maintain its 1 percent share of global investment with around \$12 billion of FDI inflow in 2015," Erdem said.

He noted the association members strongly believed Turkey could resolve any problems with the rule of law, tax system, educational system and employment policies in the country through common sense and cooperation to attract more FDI. The UNCTAD report showed global FDI flow decreased to \$1.23 trillion in 2014, a 16 percent decrease from the previous year. Erdem said several fragilities in the global economy, political uncertainties and increasing geopolitical risks played a big role in the decreasing trend in the FDI flow across the world. Turkey ranked 22nd in the world, 12th among emerging countries and first in the Western Asia region.

The emerging world's share in global investments was 55 percent last year, although these countries lured 28 percent lower FDI in 2014 than they did in the previous year. Almost half of the top 10 FDI attracting countries were from the emerging world, according to the report. "China became the largest FDI recipient in 2014 for the first time with more than \$129 billion in total. China was followed by Hong Kong with \$103 billion and the United States with \$92 billion," said YASED Secretary General Özlem Özyiğit. Companies from the emerging world made more than \$468 billion worth of investments abroad, hitting an all-time record. The UNCTAD has expected a gradual increase in the world's FDI flow in the next three years. According to the report, the global FDI flow will hit \$1.4 trillion in 2015, \$1.5 trillion in 2016 and \$1.7 trillion in 2017. UNCTAD Trend and Data Director Astrit Sulstarova said the latest report revealed many countries have showed progress in liberalizing their investment policies, promoting investment and easing FDI inflow procedures. "The report also showed a strong need for many countries to revise their international investment agreements," he noted.

## Istanbul's Third Bosphorus Bridge link road tender postponed again

Hurriyet Daily News, 24.06.2015



A tender for the link roads within the scope of the Northern Marmara Highway project, which includes the under-construction third bridge over the Bosphorus, has been postponed yet again, as the interested parties need more time to finalize their proposals, according to an announcement by the General Directorate of Highways.

“The tender date for the Northern Marmara highway project’s Kurtköy-Akyazı and Kınalı-Odayeri sections has been revised, as additional time is needed to finalize the interested parties’ offers,” said the statement published in Turkey’s Official Gazette.

The tender for the construction of the Kurtköy-Akyazı section, which had earlier been scheduled for June 30, has been postponed to Aug. 31, while the tender for the Kınalı-Odayeri section, which was due to be held on July 7, has been postponed to Sept. 7, according to the statement. The third Bosphorus Bridge - controversially named after 16th century Ottoman Sultan Selim I, known in English as Selim the Grim - and its connecting highways are expected to cost Turkey around \$3 billion. The construction began in 2013 and both towers have already been completed.

## Central Istanbul district overtakes 69 Turkish provinces in textile exports

Doğan News Agency, 15.06.2015



The Osmanbey district in Istanbul was the origin of more textile exports than 69 provinces across Turkey in the first five months of 2015, the head of the district’s Textile Manufacturers and Businesspeople Association (OTİAD) has stated.

“Our members made exports worth around \$615 million in the first five months of the year. Thus, Osmanbey made more textile exports than 69 of the 81 provinces across Turkey. If Istanbul aims to be a fashion capital in the future, Osmanbey, which makes exports to 154 countries across the world, will be at the center of this,” OTİAD head İlker Karataş said.

Karataş said Turkey has been directly or indirectly affected by negative developments in its neighborhood, which resulted in a general decrease in its exports. “But Turkey has been experiencing a positive post-election period. We support any coalition government that would make structural reforms and maintain permanent peace by leaving party political interests behind,” he added. Osmanbey neighbors the Beyoğlu district, which includes İstiklal Street and other tourist attractions.

## SunExpress raises weekly flights to 700

Anadolu Agency, 24.06.2015



SunExpress, a joint venture company of Turkish Airlines and Lufthansa, will increase the number of its flights to 700 a week this season, said Paul Schwaiger, the company’s managing director, at a press conference held in Antalya.

“Our company has carried more than 63 million passengers since the date we were established 25 years ago. Now we have flights to over 110 destinations in more than 20 countries,” he said, adding the company had ordered 50 new airplanes in 2014. SunExpress sales increased by 15 percent in 2014 from the previous year, resulting in an income of 1.25 billion euros, an all-time high in the company’s history.

## Minister: Turkey in urgent need of 70,000 qualified IT professionals

Anadolu Agency, 25.06.2015



Turkey needs at least 70,000 qualified IT professionals right now and a number of certificate programs will be launched to meet this need, Science, Industry and Technology Minister Fikri Işık has said in an interview on Bloomberg HT television.

“Turkey needs some 70,000 qualified information and technology workers immediately and this number will increase to over 300,000 in the following decade. We have conducted joint research with the İŞKUR to define the target groups. In line with the results of the research, we’ll launch international certificate programs for the unemployed university graduates,” Işık added.

The international certificate program will be launched through a cooperation of Gebze Technical University, Kocaeli University and İŞKUR, he said. “We’ll start to offer training to hundreds and we’ll gradually increase this number to thousands,” Işık said. Işık also added that the main aim should be to enable young people to get problem-solving skills. He said earlier that the software-encoding classes must be a part of the secondary educational curricula and be offered as optional classes in primary education.

## Housing sales to foreigners hit record high in Turkey

Anadolu Agency, 23.06.2015



Property sales to foreigners hit record high levels in May with the sale of 1,982 units, marking a 21.3 percent increase from the same month in 2014, despite a general slowing-down in the sector across Turkey, according to data revealed by the Turkish Statistics Agency (TÜİK).

Istanbul saw the largest volume of property sales to foreigners in May with 636 units, followed by the Mediterranean resort of Antalya with 546 properties, the northwestern province of Bursa with 128 properties, the Aegean province of Aydın with 111, and the northwestern province of Yalova with 104.

The largest proportional increase in housing sales to foreigners was seen in the Black Sea province of Trabzon with 90 properties sold in May, marking a 125 percent increase from the same month of 2014, according to TÜİK data. Bursa and Yalova also lured considerably more foreigners than they did last year. Meanwhile, over 8,000 properties were sold to foreigners in Turkey throughout the first five months of the year, marking a 19 percent increase from the same period of 2014. Some 2,611 of these properties were sold in Istanbul, 2,252 in Antalya, and 551 in Bursa, according to TÜİK data. Throughout the whole of 2014, the number of properties sold to foreigners reached 18,959. Antalya was again the top favorite with 6,542, followed by Istanbul with 5,580, and Aydın with 1,191 properties. Last year, foreigners bought properties worth \$4.32 billion in Turkey, marking an all-time annual high, according to sector representatives.

In Turkey, total home sales increased by 19.4 percent to 108,000 units in May, against the same month of the previous year, while mortgaged home sales rose by 34.7 percent, having a 37.2 percent share of all property sales over the same period. The mortgaged house sales across the country rose by 96.5 percent in April on annual basis, while total house sales increased by 42.7 percent over the same period. Analysts said there was a general increase in property sales compared to last year, but sales have been slowing down due to the general election, the holy month of Ramadan and the rise in mortgage rates.

# Foreign direct investment inflow to Turkey falls 23 pct this year

Anadolu Agency, 23.06.2015



Turkey received \$570 million in foreign direct investment (FDI) in April, according to the Economy Ministry.

Foreign investments in Turkey also only reached \$4 billion in the first four months of 2015, marking a 23 percent decrease from the \$5.2 billion invested in the same period last year. The energy sector saw the most FDI in the January to April period, more than \$1.1 billion, followed by the manufacturing sector with \$447 million. The ministry data showed that 42 percent of capital inflow, almost \$1.3 billion, came from the European Union and 29 percent of investments came from Asian countries such as China and South Korea.

The data also indicated that 1,462 foreign-funded new companies were established in the first four months of the year, down from the 1,510 firms registered in the same period last year, a decrease of 3.3 percent. As of April 2015 a total of 43,676 companies operate in Turkey with international capital, with 26,136 of them operating in Istanbul. Antalya followed Istanbul with 4,536 companies. The report said that of the total number of foreign-funded companies in Turkey, 6,191 were German-funded and 2,809 were financed by investors in the U.K.

## Turkish, Russian companies to build Rostov airport for 2018 World Cup

Anadolu Agency, 22.06.2015



Turkey's Limak Construction has won a tender to build an airport with a capacity of 8 million passengers in the Russian city of Rostov, one of the host cities of the 2018 World Cup, according to the company.

Limak said it would build the facility with a Russian partner, Marashstroy, adding that the final signatures would be inked by the end of June. "The project will cost around 210 million euros and will be completed in the next two years. Our aim is to finalize the project by the FIFA World Cup in 2018," said a board member of Limak, Serdar Bacaksız. The selection process to pick the company to build the airport started.

A total of 23 companies submitted their proposals, with 18 of them being invited to submit a bid. A negotiation process started in February, after which Limak and Marashstroy were selected by the tender committee, said the company. Limak is also the member of a consortium which will build the controversial third airport of Istanbul. The company is currently building a second terminal at Cairo Airport and has the operation rights to Kosovo's Pristina Airport. Limak sold its shares in Istanbul's Sabiha Gökçen Airport to a Malaysian partner, Malaysia Airports Holdings (MAHB).

## KRG hires banks to arrange bond roadshow in London

Reuters, 22.06.2015



The KRG announced it is meeting investors in London with an eye to a "potential transaction in the near future."

"Goldman Sachs International and Deutsche Bank AG will organize a series of meetings with international fixed-income investors in London, with a view to a potential transaction in the near future," the KRG said on its website. These two banks first introduced KRG officials and fund managers last October. At the time the Kurdish delegation, led by the deputy prime minister, was sounding out investors about a potential debt financing, although a number of grey areas needed to be clarified.

But the passage of a law to raise funds through borrowing means the KRG is now in a position to issue in the capital markets, as reported by Reuters. The KRG in 2014 started crude exports by pipeline through Turkey as it sought to boost its financial independence from Baghdad. The Iraqi government opposes secession, along with Turkey and Iran. The Kurdistan administration will need at least \$1.4 billion in assistance to stabilize the economy after growth slowed from 8 percent in 2013 to 3 percent last year, and poverty doubled, the World Bank said in a report in February. According to the April 2015 report published by the Kurdistan Regional Government, KRG, Ministry of Natural Resources, KRG commitments under the 2015 Federal Budget Law have been met, and oil production has reached record levels. According to an agreement on oil export and budget, reached last December between the KRG and the Federal Government of Iraq, Kurdistan Region is committed to export 550,000 bpd (barrels per day) in return for a budget entitlement close to one billion US dollars per month to be paid by the federal government. The agreement was approved within the framework of the Iraqi Federal Budget Law for 2015.

## ISIL seizes parts of northeast Syria city Hasakeh

AFP, 25.06.2015



ISIL fighters entered the northeastern Syrian city of Hasakeh overnight, seizing two neighbourhoods from government forces in heavy clashes, a monitoring group said.

At least 30 regime loyalists and 20 ISIL jihadists were killed in the fighting, which continued into June 25 morning, the Syrian Observatory for Human Rights said. The Britain-based group said the ISIL attack began late on June 24, with the jihadist group using at least one suicide bomber against a militia checkpoint during its advance. "Heavy fighting is continuing, with shelling by both sides," Observatory director Rami Abdel Rahman said.

He said ISIL had taken control of two southern districts of the city. "Civilians in those areas and nearby are fleeing to the northern parts of the city," he added. Control of Hasakeh, a provincial capital, is divided between Kurdish militia and government loyalists. Kurdish forces are mostly present in the city's north and northwest. ISIL has sought repeatedly to enter Hasakeh, including earlier this month when it advanced to the southern outskirts of the city before regime forces pushed it back in heavy fighting.

# CPJ: Egypt's imprisonment of journalists at all-time high

Reuters, 25.06.2015



Egypt is holding the highest number of journalists behind bars since record keeping began, using the pretext of national security to crack down on press freedoms, the Committee to Protect Journalists said.

A prison census conducted by the CPJ found at least 18 Egyptian journalists were being held in jail, the most in Egypt since the CPJ began recording data on imprisoned journalists in 1990. "The threat of imprisonment in Egypt is part of an atmosphere in which authorities pressure media outlets to censor critical voices and issue gag orders on sensitive topics," the CPJ said.

Khaled al-Balshy, the head of the freedoms committee of Egypt's press syndicate, said the number of journalists imprisoned was higher, putting it at more than 30. "We are in the worst climate for journalism in Egypt's history," he told Reuters. Reuters could not independently confirm the number in detention in Egypt. CPJ said most of the journalists imprisoned are accused by the government of belonging to or being affiliated with the Muslim Brotherhood, which Cairo designates as a terrorist group. Authorities say the Brotherhood is a threat to national security and they deny allegations of abuses. Some of the journalists denied charges of links to the Brotherhood. "These numbers are not accurate and this report is not objective," a government source told Reuters, adding that all imprisoned journalists were facing criminal charges and were not imprisoned for political or free speech reasons.

Six journalists were sentenced to life in prison and several others are being held in pretrial detention without a set date for a court hearing, the CPJ reported. "The arrests of journalists in Egypt are often violent and involve beatings, abuse, and raids of their homes and confiscation of their property," the CPJ said. "Their prison cells are often unclean and overcrowded. In letters from prison, some journalists wrote that they often do not see sunlight for weeks; others described the torture of prisoners, including the use of electric shocks." The government source denied all allegations of torture. "Anyone who is arrested is taken in after a warrant issued by the public prosecution which, alongside the courts, oversees all detention facilities. Anyone who claims they are being mistreated can file a complaint with the prosecutor or the court and they will punish anyone guilty of torture." Many Egyptians support Sisi for delivering a degree of stability after years of turmoil following the 2011 uprising that ousted Hosni Mubarak.

The crackdown on press freedom, which other than imprisonment also includes heavy restrictions on journalists, has left entire regions “severely underreported,” CPJ said. This has been most notably the case in the Sinai Peninsula, CPJ said, where the army is battling an insurgency that has killed hundreds of policemen and soldiers since the army toppled Islamist President Mohamed Mursi after mass protests against his rule in 2013. Balshy also noted that “terrorist groups” threatened the lives of any who spoke out against them. Journalists are regularly denied entry to Sinai at military checkpoints, CPJ said, and local reporters face threats from both the government and militant groups. “This reflects a denial of the security situation on the ground in Sinai, where military operations are taking place to fight terrorism,” said the government source. He added that when journalists are prevented from entering Sinai it is done for security reasons and out of fear for the safety and lives of journalists. “Journalism is over in the Sinai,” CPJ quoted one North Sinai reporter, who declined to be named for security reasons. “The only reporting we can do is (to) tell the army’s story. Anything else is a prison wish.”

## Goldman sees Ukraine default in July as debt standoff holds

Bloomberg, 25.06.2015



**Ukraine will miss a bond coupon payment in July, setting off a default on about \$19 billion of debt, as a standoff with creditors shows no sign of abating, according to Goldman.**

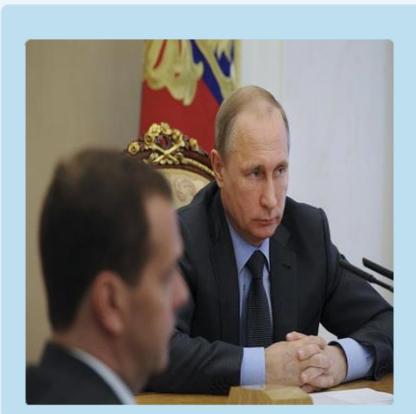
The government is unlikely to resolve a disagreement with its creditors on its debt-repayment plan in the coming weeks and will probably issue a moratorium before a \$120 million coupon payment comes, analyst Andrew Matheny wrote. Ukraine is giving creditors a few weeks to accept a proposal that includes a 40 percent writedown to principal before it imposes a debt moratorium, a person familiar with the talks said.

“Ukraine will not make the July 24 coupon payment and, as a result, will enter into default at that point,” Matheny said of his base-case scenario in the report. “We do not expect the ad hoc committee to accept Ukraine’s latest restructuring proposal.” Members of the committee, the government and the International Monetary Fund will meet in Washington next week as the crisis lender weighs whether to issue the next slice of a \$17 billion loan to Ukraine. The IMF said earlier this month that it can keep supporting Ukraine even if it stops servicing debt held by private bondholders. A creditor group led by Franklin Templeton that holds about \$9 billion of Ukraine’s debt reiterated on Wednesday that its proposal, which uses maturity extensions and coupon reductions to save Ukraine about \$16 billion over four years, is the best way forward. The group has opposed Ukraine’s insistence on a principal writedown.

The bond on which the coupon is due, a \$2.6 billion note due July 2017, climbed 0.39 cent to 49.78 cents on the dollar by 1:30 p.m in Kiev. The securities have risen 12 cents from this year's low. Goldman's Matheny reiterated his view that a principal writedown is necessary for Ukraine due to rising debt-to-GDP levels and slowing growth. The nation's debt burden will rise toward 100 percent of GDP this year, from the IMF's most recent forecast of 94 percent, he said. The IMF last month deepened its forecast for how much Ukraine's economy will shrink in 2015 to 9 percent. Ukraine's offer to creditors to tie restructured bond payments to future economic performance would allow bondholders to profit from any upside if economic indicators outperform, Matheny said. That might allow the two sides to reconcile their differing views. A proposal issued to Ukraine last month by the creditor group includes a similar GDP-linked instrument, a person familiar with negotiations said. "We expect bonds to reflect economic fundamentals more closely, as the market begins to assess the pricing of these potential new instruments," Matheny said in the report.

## Putin adds another year to ban on Western food imports

CNBC, 24.06.2015



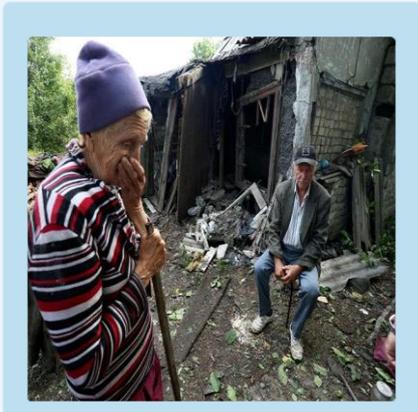
Putin has extended Russia's ban on food imports from the West by one year, longer than had been expected, in retaliation to the extension of European sanctions against Moscow over Ukraine.

The ban, which prohibits most food imports from the United States, the European Union, Australia, Canada and Norway, was expected to be prolonged for six months starting from early August after the European Union extended sanctions this week. "The head of the government has approached me with a letter to extend measures, which we put in place in a response to actions of our partners," Putin told.

"... We extend our retaliatory measures for one year starting from today. I think it will be a good guideline for domestic producers," Putin said. The list of banned products, approved last year, included fruit, vegetables, meat, poultry, fish, milk and dairy, but the agriculture ministry said earlier on June 24 that it was considering adding confectionery, canned fish products and flowers to the list. It was not immediately clear if Putin has approved the expanded list.

# Official: EU prolongs Russian economic sanctions for six months

AFP, 22.06.2015



EU foreign ministers formally agreed to prolong to January 2016 damaging economic sanctions against Russia to ensure it fully implements Ukraine peace accords, officials said.

“EU has extended economic sanctions against Russia until 31 January 2016, with a view to complete implementation of (the) Minsk agreement,” an EU spokeswoman said in a tweeted message. The 28-nation bloc initially imposed travel bans and asset freezes against Russian and Ukrainian figures for their part in the crisis but then reacted sharply after Malaysia Airlines flight MH17 was shot down in July over territory held by pro-Moscow rebels.

Brussels hit Russia’s banking, oil and defence sectors hard and, along with the United States, has warned more sanctions could follow unless Moscow lives up to its Minsk commitments in February to withdraw support for the rebels and use its influence with them to implement the accord. In March, EU leaders agreed in principle to roll the sanctions over by linking them directly to the ceasefire brokered by France and Germany in Minsk that runs to December this year. The ceasefire has largely held since then but Kiev and the rebels swap charges daily over breaches and observers reported a sharp pick up in fighting earlier this month in a conflict which has claimed more than 6,400 lives and destroyed much of eastern Ukraine.

The foreign ministers of France, Germany, Ukraine and Russia are due to meet in Paris on June 23 to review the situation. Separately, the EU announced June 19 that it had prolonged until June 2016 sanctions imposed to punish Russia’s illegal annexation of Crimea. The European Council, which groups the bloc’s political leaders, said they continued to “condemn the illegal annexation of Crimea and Sevastopol by the Russian Federation and remains committed to fully implement its non-recognition policy.” Russia annexed Crimea in March 2014 following the ouster of pro-Moscow president Viktor Yanukovich in Kiev, saying the peninsula had voted overwhelmingly in favour of returning to its Russian homeland. The Crimea sanctions include bans on cruise ships using ports there and restrictions on exports of telecommunications and transport equipment, in addition to visa bans and asset freezes against figures said to have helped the Russian annexation. The Ukraine crisis has plunged EU and US ties with Russia into the deep freeze, with some of the exchanges reminiscent of Cold War tensions.

# Tsipras flies to Brussels to try to bridge gaps with Greece's creditors

Reuters, 24.06.2015



Greece's international lenders demanded that it improve proposed tax and reform measures in a last-minute race to clinch a deal to unlock aid and avert a debt default next week.

Sources close to the negotiations said the creditors had presented counter-proposals to Athens to overcome differences, with euro zone finance ministers due to convene at 1700 GMT to try to approve an agreement. Before flying to Brussels for meetings with the creditors, leftist Greek Prime Minister Alexis Tsipras attacked the stance of "certain" creditors as strange because he said they had rejected measures Athens put forward to plug a budget gap.

"The repeated rejection of equivalent measures by certain institutions never occurred before - neither in Ireland nor Portugal," Tsipras tweeted. "This odd stance seems to indicate that either there is no interest in an agreement or that special interests are being backed." Financial markets reacted nervously to the downbeat comments from Athens, with investors rushing into safe-haven German bonds and the euro suffering a brief sell-off before regaining ground. A European Union official insisted the talks had not broken down and the exchange of different proposals was a normal part of the negotiation. Greek Economy Minister George Stathakis said only three of Athens' 50 proposals were still in dispute. But because there is so little time left to reach a deal before Greece has to make a repayment to the IMF on June 30, the day its current bailout expires, the talks were particularly fraught. "Of course we want changes and they don't, and this is part of the bargaining process, albeit less effective when done publicly," a senior official of one of the creditors said.

Tsipras, who arrived in Brussels at 1100 GMT, was due to meet Commission President Jean-Claude Juncker and the heads of the International Monetary Fund, the European Central Bank, the Eurogroup of finance ministers and the euro zone's rescue fund in the early afternoon to try to thrash out remaining issues. Before that, Juncker was meeting with the other leaders of the creditor institutions to prepare a common position. Other issues still in dispute included the restoration of collective bargaining rights, opening up closed professions, investment and public sector wages, according to a source close to the talks. Officials said the IMF was most concerned about the balance of the package, which was too heavily skewed towards tax increases that could further weaken the Greek economy and prove hard to collect, rather than structural reforms. Also still in dispute were Greek demands for debt relief, which euro zone governments do not want to address at this stage, and IMF-led pressure for more steps to reform Greece's costly pension system.

The Greek proposals, which leaders of the 19 nations sharing the euro welcomed on June 22 as a basis for further negotiation, included a series of tax hikes and higher contributions to pensions to raise revenue and hit budget targets. Greece will have to put the agreed measures through its parliament by June 22 so that some other euro zone parliaments can endorse the deal and unblock aid funds. Athens must repay 1.6 billion euros to the IMF on June 30 . EU officials said the only way to provide money for that payment was for euro zone governments to hand over nearly 2 billion euros in profits from ECB holdings of Greek government bonds purchased in 2011-12.

If Greece misses that payment and is declared in default to the IMF, it could trigger a bank run, capital controls and an eventual Greek exit from the euro zone, undermining the foundations of the currency. Tsipras will face resistance in his leftist Syriza party, especially if he has to make further concessions at the last minute, but Stathakis said he was convinced the party would back a deal in parliament. A series of street protests in Athens in recent days, some organised with Syriza's support, have underlined public opposition to yet more belt-tightening. "There are four people in my household, and we are living on 600 euros a month. Where else does that happen?" said 59-year-old Antonia Methoniou, a cancer patient who took early retirement for health reasons. The IMF says Greece will need either some form of debt restructuring or further loans to make its finances sustainable. But euro zone officials insisted that the creditors would not discuss any debt restructuring until after Greece implements the remainder of its bailout programme, and German Chancellor Angela Merkel has ruled out any "haircut" or debt write-off.

This will add to the difficulty of getting parliamentary approval in Athens, notably from the nationalist Independent Greeks, whose support Tsipras needs for a majority. They also reject moves to scrap VAT exemptions enjoyed by some Greek islands. "I could not vote for such a measure, nor, obviously, could I participate in a government violating a line on which we received a mandate from the Greek people," party leader Panos Kammenos tweeted.

## Austria warns Hungary it may retaliate in row over migrants

Reuters, 24.06.2015



Austria said it might be forced to re-instate border controls between it and Hungary in response to Budapest refusing to take in asylum seekers sent to it from other EU states.

The diplomatic row between the two neighbors has further weakened the already fragile unity in Europe over how to respond to the flow of migrants into the block and how the burden of dealing with them should be shared out. Several countries on the EU's periphery say the system for tackling migration is broken, but Hungarian Prime Minister Orbán's decision to halt asylum seeker transfers is the most radical step taken by any European leader so far.

Orban has a history of tangling with Brussels. European Commission President Jean-Claude Juncker, in a barbed joke, once described him as a “dictator”. Orban, meanwhile, is under political pressure at home from an anti-immigrant far-right opposition party. Under EU rules migrants have to apply for asylum in the first member state they enter and if they move onto another EU country, they can be sent back to the country where they entered. Hungary said it was temporarily suspending accepting such transfers back because it was overwhelmed by migrants, after 61,000 crossed into the country from outside the EU since the start of the year. That angered Austria, which is where many migrants head to after passing through Hungary. “Hungary’s decision is completely unacceptable for us,” Austrian Interior Minister Johanna Mikl-Leitner said on Austria’s ORF radio station. “I expect an explanation.” She said she expected there would be clarification from Budapest in the next few days, but that if that did not happen, “we do not rule out border controls as a last resort.” That would involve passport checks on the Austrian-Hungarian border - something that has not happened since the two countries nearly a decade ago implemented the Schengen agreement on border-free travel. Austria this month stopped processing asylum requests in an effort to pressure other European Union member states to do more to help absorb waves of refugees.

## UN opens human rights office in Seoul to monitor N. Korea

AFP, 23.06.2015



The United Nations opened a new office in Seoul to monitor North Korea’s human rights record, after accusing the isolated regime of abuses “without parallel in the contemporary world” in a report published last year.

The office was formally opened by UN High Commissioner for Human Rights Zeid Ra’ad Al Hussein and South Korean Foreign Minister Yun Byung-Se, despite Pyongyang repeatedly threatening “merciless punishment” against South Korea if the mission was launched. South Korea urged the North to stop criticising the new UN office after it suddenly announced it would boycott the Universade.

In a message emailed to the Gwangju Universiade organising committee last week, a North Korean sports official said the UN office in Seoul drove inter-Korean relations to “the extreme situation” and “cooled down our atmosphere to participate in the games”. “Less than 50 miles from here lies another world marked by the utmost deprivation,” Hussein said in a statement to mark the opening, according to Yonhap news agency. “Tens of thousands of Korean people have escaped that reality and through hazardous means reached a new life in (South Korea). But millions remain trapped in the grip of a totalitarian system which not only denies their freedom but increasingly their basic survival needs,” he added.

The United Nations proposed opening the field office following a searing report by a UN commission published in 2014 that concluded North Korea was committing human rights violations “without parallel in the contemporary world”. Based on the testimony of hundreds of North Korean exiles, the commission detailed a vast network of prison camps holding up to 120,000 people and documented cases of torture, summary executions and rape. The report formed the basis of a resolution adopted by the UN General Assembly urging the Security Council to consider referring Pyongyang to the International Criminal Court. Pyongyang has categorically rejected the findings of the UN commission, labelling it a work of fiction authored by the United States and its allies. Cross-border tensions have remained high this year due to a series of North Korean ballistic missile tests, nuclear threats and annual US-South Korean military exercises. Pyongyang sees the joint drills, most recently carried out in March and April, as a rehearsal for invasion.

## Obama hosts annual Ramadan dinner at White House

AFP, 23.06.2015



President Barack Obama said that Americans stand united in rejecting the targeting of any religious or ethnic group as he marked Islam’s holy month of Ramadan.

Obama opened the White House to Muslim Americans for a traditional iftar dinner. Ramadan ends with the Islamic holiday of Eid al-Fitr. “We affirm that whatever our faith, we’re all one family,” Obama said at the dinner attended by about 40 members of the diplomatic community and a few members of Congress. He recognized several guests, including Samantha Elauf, who went to the Supreme Court to defend her right to wear a headscarf, or hijab.

She was 17 in 2008 when she was rejected for a sales job at an Abercrombie Kids store in Tulsa, Oklahoma, after wearing a hijab to the interview. “She was determined to defend the right to wear a hijab - to have the same opportunities as everybody else,” Obama said. “She went all the way to the Supreme Court - which I didn’t do at her age - and she won.” Obama spoke of three young Muslims who were killed Feb. 10 in Chapel Hill, North Carolina, and the nine black church members killed last week in Charleston, South Carolina. “As Americans, we insist that nobody should be targeted because of who they are, what they look like, who they love, how they worship,” he said. “We stand united against these hateful acts.”



# Announcements & Reports

## ► *The Effects of Ultra-Loose Monetary Policies on Inequality*

**Source** : Bruegel

**Weblink** : <http://www.bruegel.org/publications/publication-detail/publication/885-the-effects-of-ultra-loose-monetary-policies-on-inequality/>

## ► *The UK's EU vote: the 1975 precedent and today's negotiations*

**Source** : Bruegel

**Weblink** : <http://www.bruegel.org/publications/publication-detail/publication/884-the-uks-eu-vote-the-1975-precedent-and-todays-negotiations/>

## ► *Lessons from the Global Fund's Reform*

**Source** : CSIS

**Weblink** : <http://csis.org/publication/lessons-global-fund-reform>

## ► *The Next Great Emerging Market? Capitalizing on North America's Four Interlocking Revolutions*

**Source** : Belfer Center

**Weblink** : [http://belfercenter.ksg.harvard.edu/publication/25488/next\\_great\\_emerging\\_market.html](http://belfercenter.ksg.harvard.edu/publication/25488/next_great_emerging_market.html)

## ► *Mozambique to 2018 Managers, Mediators and Magnates*

**Source** : Chatham House

**Weblink** : [http://www.chathamhouse.org/sites/files/chathamhouse/field/field\\_document/20150622Mozambique2018VinesThompsonKirkJensenAzevedoHarman.pdf](http://www.chathamhouse.org/sites/files/chathamhouse/field/field_document/20150622Mozambique2018VinesThompsonKirkJensenAzevedoHarman.pdf)

# Upcoming Events

## ► *Russian Foreign Policy in the Middle East*

**Date** : 29 June 2015

**Place** : London - UK

**Website** : <http://www.chathamhouse.org/event/russian-foreign-policy-middle-east>

## ► *Chinese Foreign Direct Investment: The European Policy Agenda*

**Date** : 29 June 2015

**Place** : Brussels - Belgium

**Website** : <http://www.bruegel.org/nc/events/event-detail/event/535-chinese-foreign-direct-investment-the-european-policy-agenda/>



### ► *Collaborative Innovation in The Entrepreneurial Ecosystem*

**Date** : 30 June 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/542-collaborative-innovation-in-the-entrepreneurial-ecosystem/>

### ► *Sanctions on Russia: Economic Effects and Political Rationales*

**Date** : 30 June 2015  
**Place** : London - UK  
**Website** : <http://www.chathamhouse.org/event/sanctions-russia-economic-effects-and-political-rationales>

### ► *National Perspectives on The Euro Area*

**Date** : 07 July 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/536-national-perspectives-on-the-euro-area/>

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

**Date** : 07 July 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/538-capital-requirements-and-loss-absorbing-capacity-for-large-banks/>

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

**Date** : 09 July 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/544-the-productivity-gap-why-is-innovation-not-increasing-growth/>

### ► *The Kuwait Crisis 25 Years Later*

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

### ► *Competitive Gains in the Economic and Monetary Union*

**Date** : 21 July 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/534-competitive-gains-in-the-economic-and-monetary-union/>

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

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



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

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

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

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

► *Challenges for Growth in Europe*

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

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

**Date** : 01 October 2015  
**Place** : Paris - France  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/529-global-governance-of-public-goods-asian-and-european-perspectives/>

► *The Future of the Welfare State*

**Date** : 17 November 2015  
**Place** : Berlin - Germany  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/541-the-future-of-the-welfare-state/>