

PM says there is ‘nothing to worry about’ in Turkish economy

Hurriyet Daily News, 20.08.2015



Turkish Prime Minister Ahmet Davutoğlu said the rise in the U.S. dollar’s value is reflexive, and not a signal of any structural or permanent economic crisis in Turkey, during a meeting with a group of Ankara correspondents. “There is nothing to worry [about] here,” he said, adding very few countries could experience four consecutive elections with such low economic damage as Turkey did.

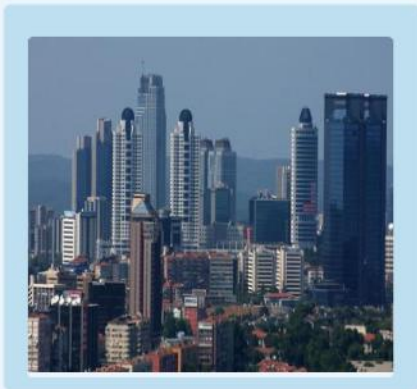
Davutoğlu noted all post-election processes were quite transparent and in line with the rule of law. “In this process, there was no interruption in our budget discipline, banking system or monetary policy.

We have taken all measures for our lower incomers not to be affected from the rise in inflation rates or the slowdown in the economic growth. Our investments are in progress. There has not so far been any negative trend in Turkey’s rating despite all risks and the fight against terrorism acts,” he said. Davutoğlu said he held meetings with economy ministers, Central Bank head Erdem Başçı and Deputy Prime Minister Ali Babacan after a cabinet meeting last week. “Along with the economy ministers, we made a series of decisions about how to control meat prices and what measures should be taken to overcome the rise in prices. I also held a meeting with Başçı. And I took a quite detailed briefing from Deputy PM Ali Babacan about the latest developments in the world economy,” he said.

Davutoğlu noted there was a general fluctuation affecting many other currencies across the world. “We have seen reflective reactions in the markets. We cannot talk about any structural and permanent crisis... If I was quite concerned about the parities, I would have made our meeting with the head of the Nationalist Movement Party [MHP], Devlet Bahçeli, on a Friday, when the stock markets are closed, rather than last Monday. As we have complete confidence in the strength of our economy, we can make such meetings anytime,” he said. The MHP rejected a coalition with the Justice and Development Party (AKP) and refused to support a minority government. The breakdown in talks between the nationalists and Davutoğlu’s AKP raises the likelihood of a fractious multi-party interim government, more unwelcome news for jittery investors who have sent the Turkish Lira to a series of record lows.

Turkish Lira weakens beyond psychological barrier of 3 to dollar for first time

Reuters, 20.08.2015



Turkey's Lira, already at record lows, fell more than 1.5 percent, briefly weakening beyond the psychological barrier of 3 to the dollar for the first time on a combination of political uncertainty and rising militant violence.

Besides, Turkey's election commission has proposed that any snap parliamentary election should be held on Nov. 1, officials of the ruling AKP, reinforcing the sense that a re-vote is inevitable after June's poll yielded no working majority. PM Davutoğlu formally gave up its attempt to find a junior coalition partner.

If, as now seems likely, no one else can form a coalition, President Recep Tayyip Erdoğan is very likely to call a new election. AKP officials said the High Election Board had proposed Nov. 1 as the date. But even that failed to assuage market worries about the \$870 billion economy. "A coalition would have been good for investor confidence, but now we have more uncertainty and I don't think the result will change with new elections," said Vedat Mizrahi, a managing director at financial services firm Ünlü & Co. "It is really tough right now. There is almost no foreign institutional investor interest in Turkey." The lira was 1.6 percent weaker at 2.9745 to the dollar at 1100 GMT, and is now down over 20 percent against the dollar this year, making it one of the worst performing currencies among its emerging market peers. "We're getting poorer by the day," said 44-year-old elementary school teacher Nevin, who was shopping for groceries at a supermarket in central Ankara. "Now they're going to knock on our doors and ask for our votes? How dare they? Shameless politicians."

Erdoğan, founder of the AKP, could still in theory ask the main opposition Republican People's Party (CHP) to try to form a government. However, the CHP has shown little sign of being able to assemble a majority, and local media quoted Erdogan as telling a meeting of village administrators that he would not "waste time" with those who did not know the address of the presidential palace, an apparent reference to the head of the CHP. Instead, Erdoğan has indicated that he will summon an interim "election cabinet" to lead Turkey to a new election. Investors looking to the Central Bank for an independent steadying hand have been disappointed. The Bank declined to raise interest rates at its monthly policy meeting.

Turkish exporters hopeful for third quarter

Hurriyet Daily News, 18.08.2015



Turkey's exporters expect the decreasing trend in exports to end in the third quarter, according to a survey by the Turkish Exporters' Assembly.

Exports from Turkey dropped by 13 percent in July to \$10.86 billion and by 8.8 percent to \$84.37 billion in the first seven months of the year, compared to the same periods in 2014, due to fluctuations in parity and geopolitical risks. According to the survey, Turkish exporters expect the dollar-Turkish Lira exchange rate to be around 2.82 by the end of the year and euro-lira exchange rate to be 3.06. They expect the euro-dollar rate to be 1.1.

Exporters say they see the ideal dollar-lira rate as being 2.59 and the ideal euro-lira rate as being 2.9, according to the report, which surveyed top executives from 504 Turkish exporting companies. TİM President Mehmet Büyükekşi said the current exchange rates are extraordinarily high, speaking at a press meeting to launch the survey. "It all depends on whether the dollar parity at 3 Turkish Liras is competitive upon labor and production costs," Büyükekşi said, quoted by Reuters.

According to the report, 72.8 percent of exporters believe that exports will increase or remain the same in the third quarter. They also expect to create a total of 65,000 new jobs. Büyükekşi said the negative effects of the parity fluctuations are continuing to affect exports. Some 49.6 percent of respondents to the survey said their biggest problem is the currency parity, 44.4 percent said high energy costs, and 40.3 percent said high raw material and semi-product costs. The exporters also defined Russia, the United States, Germany, China and Iran as priority markets. The rate of exporting companies entering into new markets rose to 41 percent in the second quarter from 39 percent in the first quarter. Around 40,000 new jobs were created in the second quarter, and 48.2 percent of companies said their profits increased or remained the same in the second quarter. Büyükekşi said a general rise in exports has been observed after declines over the past seven months.

Turkey receives \$11 billion in orders for defense industry

Anadolu Agency, 21.08.2015



Turkey's defense industry received \$11 billion in orders in 2014, according to a report by the Defense Industry Manufacturers Association (SaSaD). The sector has achieved an average annual growth rate of 21 percent for the last five years.

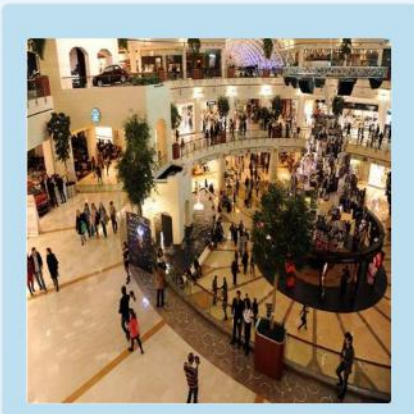
Many of the orders since 2005 have come from the Turkish Armed Forces, in line with the development strategies of the Undersecretariat for Defense Industries of Turkey. "The lion's share in the sector growth comes from domestic projects, but domestic projects should not be expected to continue increasing.

Export and international cooperation projects will therefore determine the sector's future growth," Nail Kurt the chairman of the Turkish Defense Industries Exporters' Association. told Anadolu Agency. A major \$6.9 billion order came for aircraft parts in 2014. The Turkish defense aviation industry is involved in a number of major international joint design and production programs, such as the F-35 Joint Strike Fighter and A400M Large Transport Aircraft. Another major \$2.6 billion order was for a wide range of tracked and wheeled armored vehicles, which are configured as personnel carriers, reconnaissance vehicles, communication vehicles, command and control vehicles, ambulances or platforms for various weapons. Overall industry revenue reached over \$5.1 billion in 2014, an increase from \$5.07 billion in 2013. The industry's export capacity was nearly \$1.9 billion last year, up from \$1.6 billion in the previous year. The defense industry also imported over \$1 billion in technology products from abroad.

Turkey aims to have defense companies among the top 100 major companies in the world, and to create at least three global brands in the defense sector. Ankara spent over \$1 billion on defense, research and development in 2014, making defense the sector with the largest research and development investment in the country.

Turkey consumer confidence at lowest in more than six years on political worries

Reuters, 21.08.2015



Turkish consumer confidence fell to its lowest in more than six years, official data showed, bruised by political uncertainty, mounting militant violence in the southeast and the Turkish Lira's tumble to a record low.

Foreign investor confidence in Turkey's \$870 billion economy has unraveled after Prime Minister Ahmet Davutoğlu this week failed to find a coalition partner to form a government with his Justice and Development Party (AKP). Now Turkey looks set for a snap election in November and investors fear the result will be the same as June's vote - no clear majority for the AKP, and more uncertainty.

The data from the Turkish Statistics Institute (TÜİK) suggests that, like foreign investors, Turkish consumers are feeling despair. "When we look at the details of the consumer confidence index we see a broad deterioration," said Özgür Altuğ, chief economist at BGC Partners in Istanbul. "Ongoing political uncertainty and terrorist actions probably affected consumer confidence and further decline is likely, in our view." The consumer confidence index fell to 62.35 points, down from 64.66 in July, the data showed. That was the lowest since March 2009, when it hit 61.55. The index indicates an optimistic outlook when it is above 100 and a pessimistic outlook when below 100.

Ankara has been caught up in rising violence in the mostly Kurdish southeast and has increased its push against Islamic State of Iraq and the Levant (ISIL) in Syria. The Turkish Lira, one of the worst performing emerging market currencies this year, is down 20 percent.

Turkey accuses BBC of ‘openly supporting terrorism’

Hurriyet Daily News, 21.08.2015



Turkey has accused the British Broadcasting Corporation (BBC) of “openly supporting terrorism” by making “written and visual propaganda” of the outlawed Kurdistan Workers’ Party (PKK) during a broadcast.

“Such broadcasting about an organization which is listed as a terrorist by many countries, particularly EU countries, is open support for terrorism,” the Turkish FM said. The broadcast, which portrayed the PKK as “an innocent organization struggling against another terrorist organization and encouraged to join the PKK, is not acceptable in any way,” the ministry said in a written official statement.

This is not the first time that Turkish authorities have targeted U.K. media outlets’ reporting on the PKK, which is listed as terrorist organization by a large portion of the international community including the European Union and the United States, in addition to Turkey. In 2005, then-Prime Minister Recep Tayyip Erdoğan harshly criticized the BBC and Reuters for describing PKK members as militants and guerillas instead of terrorists. “Only in last one month, the PKK terrorist organization has slayed 64 people, wounded 350 persons, kidnapped 16 persons, sabotaged railways and dams and attacked transportation infrastructure and vehicles,” the ministry said, underlining that the BBC broadcast was “a concrete indication and evidence that terrorist organizations have been nourished by this irresponsible and hypocritical approach and support.” “The BBC is expected to apply its broadcasting policy, which it followed in regards to IRA [the Irish Republican Army] which recently launched a bomb attack against a police barracks in Northern Ireland, to the PKK terrorist organization, too,” the ministry said.

At the time, in response to Erdoğan’s criticism in 2005, the BBC said taking into consideration the specific conditions of each incident, it prefers to use more descriptive words such as “bombers, attackers, armed people, kidnappers, rebels and militants” when reporting about perpetrators of violent incidents. The BBC also said it avoided using the term “terrorist” for the IRA, for fear of sparking Catholic reactions in Ireland.

Turkey's top election board proposes Nov. 1 as snap election date

Hurriyet Daily News, 20.08.2015



Turkey's top election authority has offered Nov. 1 as the date to hold early elections, as efforts to form a coalition government after the June 7 parliamentary election was unable to produce a single-party government failed.

The Supreme Election Board (YSK) has drafted a calendar, according to which preparations could be completed within 60 days in case of an eventual official decision to hold an early election, the state-run Anadolu Agency reported. The YSK has presented the draft calendar to representatives of the four political parties represented in parliament, the agency said.

Following a consultation between representatives and the parties, the YSK will iron out the final details of the calendar and set the exact date. Earlier this week, the board decided that in the event of a "repetition of general parliamentary elections," it has the authority to shorten the 90-day period that must be reserved before an election. The procedure has been accelerated after the leader of the Justice and Development Party (AKP), which got the highest number of votes in the June 7 election, Prime Minister Ahmet Davutoğlu, returned the mandate to form a new government to President Recep Tayyip Erdoğan. The 45-day deadline on the formation of a new government expires, paving the way for fresh elections within 90 days - at the latest on Nov. 22.

Transparency International criticizes Turkey

Hurriyet Daily News, 12.08.2015



Transparency International has criticized the poor criminal liability of legal entities in Turkey, in addition to political interference in foreign bribery investigations, in a report titled "Exporting Corruption" that was revealed. "The criminal liability of legal entities is not appropriately covered by the criminal laws of Estonia, Latvia, Mexico and Poland and Turkey," the report read.

"At the same time, the parliaments of Brazil, Bulgaria, Colombia and Argentina are debating bills addressing the same issue.

Judicial independence was another issue of concern. “The lack independence of the Slovak judiciary has raised serious concerns, and in Turkey the risks that political interference may have an impact on foreign bribery investigations and prosecutions are even more acute,” the report said. Turkey was listed among the countries with “Little or No Enforcement” of the OECD Convention on Combatting Foreign Bribery along with the United States, Germany, the United Kingdom, Switzerland, France, the Netherlands, South Korea, Sweden, Hungary, South Africa, Portugal, Greece, New Zealand Italy, Canada, Australia, Austria, Norway, Finland, Japan, Russia, Spain, Belgium, Mexico, Brazil, Ireland, Poland, Denmark, Czech Republic, Luxembourg, Argentina, Chile, Israel and Slovakia.

Turkish banking regulator says sector not vulnerable to loss in lira’s value

Anadolu Agency, 19.08.2015



The head of Turkey’s banking watchdog, BDDK, said the Turkish banking sector was solid. Speaking to Anadolu Agency’s Finance Desk in Ankara, BDDK President Mehmet Ali Akben said Turkish banks were not vulnerable to the effects of the depreciation of the Turkish Lira, which hit a historic low of about 2.91 against the dollar.

On the contrary, the Turkish banking market was expanding, Akben pointed out. “Some small banks in Turkey want to grow by making domestic acquisitions,” he said. “Meanwhile, banks from some countries that have not yet entered our market are working on this and some seriously want to enter.

When they meet the conditions, we are ready to open our market to them,” Akben said. “Turkey is one of the rare countries in the world which is not recapitalizing its banks. In many countries, governments are forced to recapitalize banks, but Turkey does not have this problem,” he said, adding, “We do not expect that to happen.” “Deposits in Turkish banks were at \$63 billion during the banking crisis in 2001. Currently, we’re talking about 1.2 trillion Turkish liras [\$415 billion] deposits in banks,” he added. Akben also said his agency’s decision to seize Islamic lender Bank Asya was within the framework of the law. “This was carried out within the framework of the law. The same practice can be applied to any bank in the sector. The requested documentation has still not been supplied,” he said. Akben added the current market share of participation banks (Islamic banking) in Turkey was 5 to 6 percent. “It is not sufficient for Turkey. Participation banks aim to reach a 20 percent market share,” he said.

Turkey loses over 500,000 Russian tourists in seven months

Hurriyet Daily News, 18.08.2015



More than 500,000 fewer Russians visited Turkey in the first seven months of 2015 in comparison to the same period the year previously, tourism representatives have said, noting the greatest drop-off was seen in southern hotspot of Antalya.

In Antalya, the trajectory of the tourism industry has been raising concerns, due to the ruble's devaluation. Increased militancy and security alerts across Turkey, along with the tarnished image of the country in Europe, have caused a significant fall in tourist numbers. In the first seven months of the year, the number of Russian tourists to Turkey dropped from around 2 million to 1.4 million year-on-year.

However, the number of German visitors rose between January and July by 1.9 percent to 2.1 million, according to the Touristic Hoteliers Association of the Mediterranean (AKTOB). According to data released by the Antalya Provincial Directorate of the Culture and Tourism Ministry, around 7.2 million total visitors have landed at Antalya and Gazipaşa airports to, a 6 percent fall over the same period in 2014. The report shows that the leading tourism markets of western, northern and central European countries have faced stagnation and regression in the period.

Tourist numbers to Istanbul, meanwhile, rose 8.3 percent over the first seven months. On the contrary, the Aegean resort provinces of Muğla and İzmir saw a fall of 6.1 percent to 1.5 million visitors in Muğla and 9.9 percent to 643,000 visitors in İzmir. There were also falls in the Scandinavian market, excluding Finland, along with key markets such as the United Kingdom, France, the Netherlands and Austria. The relapse also hit African, West Asian and former Soviet countries, with Israeli tourist numbers dropping 25 percent. On the contrary, there was a recovery in the national markets of central and eastern European countries such as Poland and Hungary. The South Asian region also grew 13 percent, as did Iran, which rose 8 percent. Visitor numbers from China also rose 61 percent year-on-year to 144,000 visitors.

Erdoğan's advisor: Turkish economy sound despite lira's fall

Anadolu Agency, 19.08.2015



The precipitous fall in the value of the Turkish Lira does not portend a crisis in Turkey, a key advisor to President Recep Tayyip Erdoğan said. Cemil Ertem's remarks came a day after the lira again hit record lows against the dollar after the Turkish Central Bank announced that it was holding interest rates at current levels.

"The Central Bank also did not interpret the rise of the rate as being long-term, nor as a sign of crisis," Ertem told Anadolu Agency. "What is important here is that the Central Bank also affirmed that in this manner it sees Turkey's economy as being strong.

We also see the Turkish economy as strong. There is no sign of crisis in Turkey [now], and not in the near future," he added. The currency fell to a historic low of around 2.9 against the dollar after the Central Bank's rate decision. The lira has slid to a series of record lows against the dollar over the past week after coalition talks between Turkey's main political parties ended without agreement.

Europe must shoulder Syria refugee burden, Turkey says

Reuters, 21.08.2015



Europe does not fully grasp the magnitude of Syria's refugee crisis and should open its borders to shoulder a responsibility Turkey has been bearing alone, the head of the Turkish relief effort said.

The country, which officially has welcomed around 1.9 million refugees, has warned it is reaching capacity, and thousands are now making the perilous journey by boat from Turkey to Greece in a bid to enter Europe. "Turkey has been left alone as if this is its own problem. This is not a problem Turkey created nor one it can end," Fuat Oktay, director of Turkey's Agency AFAD, told Reuters in an interview.



“It is a humanitarian tragedy, and if the EU were to stand with Turkey it would directly serve its own interests.” Ankara has spent \$6 billion caring for refugees since the Syrian civil war began in March 2011, compared with \$418 million in aid received from all other countries including the European Union, Oktay said. Cash-strapped Greece, already crippled by economic crisis, has been struggling to cope with the influx of migrants, many of whom cross the narrow stretch of water from the Turkish mainland to Greek islands in inflatable boats to seek refuge in the EU. With conditions becoming increasingly chaotic, the Greek government chartered a car ferry which picked up more than 2,400 Syrian refugees from the islands of Kos, Leros, Kalymnos and Lesbos and carried them to the Greek mainland. Greece has also warned it cannot cope with the burden alone, appealing to its EU partners to come up with a comprehensive strategy as 21,000 refugees landed on Greek shores last week alone. “An open-door policy will help Europe to grasp the magnitude of the problem and encourage it move towards resolving the root causes of the conflict [in Syria],” Oktay said, pointing to Turkey’s policy of allowing migrants in on humanitarian grounds. “To keep your door open doesn’t require a physical border, though the Mediterranean means Europe does in fact share one.” For its part, Turkey is considering new legal frameworks to allow for employment to help long-term refugees adapt better to life here, Oktay said, a step which could help reduce the numbers of those seeking to travel on to Europe. Ankara and Washington are working on proposals to give air cover to Syrian rebels in a strip of land along the border, but that falls well short of what Turkey wants and the United Nations has warned against calling it a “safe zone” unless the protection of civilians can be guaranteed. AFAD runs two dozen camps at the border that U.N. refugee agency UNHCR and foreign governments have lauded as exemplars for managing humanitarian crises. Oktay said a safe zone backed by the U.S.-led coalition forces against Islamic State of Iraq and the Levant (ISIL) would help relieve the pressure.

“A safe zone would be an important form of insurance for Europe too. Turkey has been left on its own to meet the needs of more than 2 million people,” he said. Turkey has long pushed for a safe zone, which turned out to be ISIL-free zone by its border, according to recent statements both by Ankara and Washington. Some 225,000 Iraqi refugees add to Syrian migrants in Turkey. As much as a third of Syria’s pre-war population of 22 million is internally displaced, according to the United Nations, and aid groups have warned such a zone, surrounded by warring factions, would prove difficult to protect. Even the discussion of such a proposal has frightened some refugees, who fear they may come under pressure to return, and may have contributed to the recent exodus, aid workers say. “People I’ve spoken with say rumors are making the rounds, like ‘Refugees will be sent back,’ and this can be seen as a factor in the escape to the West,” said Metin Çorabatir, director of the Research Center on Asylum and Migration.

Top Shiite cleric: Iraq could face ‘partition’ without reform

AFP, 21.08.2015



Iraq’s top Shiite cleric, Grand Ayatollah Ali al-Sistani, warned that the country faces dire consequences including possible “partition” if real reform is not carried out.

Sistani, who is revered by millions, has made multiple calls for reform measures this month that have helped spur a wide-ranging anti-corruption drive by Prime Minister Haider al-Abadi. “Today, if true reform is not realised by fighting corruption without mercy and realising social justice on different levels, it is expected that circumstances will become worse than before,” Sistani said in a written statement from his office in response to questions from AFP.

Iraq could be “dragged to... partition and the like, God forbid,” he said. It was Sistani’s most direct warning yet on the possible consequences if reforms he has advocated are not carried out. Corruption in Iraq has already cost the country dearly in the war against the Islamic State of Iraq and the Levant (ISIL) jihadist group, which overran around a third of the country last year, Sistani said. Without rampant corruption, especially in the security forces, and abuse of power by top officials, “the Daesh terrorist organisation would not have been able to control a large part of the territory of Iraq,” he said, using an Arabic acronym for the jihadist group. Amid a major heatwave that has seen temperatures top 50 degrees Celsius, protesters have railed against the poor quality of services, especially power outages that leave just a few hours of government-supplied electricity per day. Thousands of people have turned out in Baghdad and cities in the Shiite south to vent their anger and pressure the authorities to make changes. Their demands were given a boost when Sistani called for Abadi to take “drastic measures” against corruption, saying the “minor steps” he had announced fell short.

Sistani said judicial reforms were needed, and Abadi responded by calling on the judiciary to carry out measures to ensure its independence and allow it to fight corruption. Calls for change by Sistani have shielded as well as influenced Abadi’s efforts, as it is politically risky for rival Shiite politicians to publicly oppose measures called for by the top cleric. But even with popular support and Sistani’s backing, the entrenched nature of corruption and the fact parties across the political spectrum benefit from it will make any efforts extremely difficult.

Israel denies talks with Hamas

AFP, 18.08.2015



Israel said it was not engaged in talks with Hamas following a flurry of media reports suggesting the two sides were discussing a long-term ceasefire.

“Israel is officially clarifying that it is not holding any meetings with Hamas, neither directly, nor via other countries or intermediaries,” the office of PM Netanyahu said. Arab and Turkish media have in recent weeks carried reports, claiming Israel and Palestinian militant movement that rules Gaza Strip were holding talks. According to the reports, the talks were aimed at reaching an eight-year or 10-year truce, with Israel removing its blockade on the coastal Palestinian territory.

A 50-day war between Israel and Hamas in July-August 2014 killed about 2,200 Palestinians and 73 on the Israeli side, and destroyed or damaged tens of thousands of homes in Gaza. Israel says its nine-year blockade on the impoverished territory is essential to prevent militants from obtaining materials to fortify military positions and build rockets they could fire at the Jewish state. The reports on truce talks were fuelled by recent meetings between Hamas chief Khaled Meshaal with Turkish and Saudi officials. The statement from Netanyahu’s office also addressed reports that an agreement with Hamas would enable normalising diplomatic ties between Israel and Turkey. Relationships between the former allies soured in 2010 when Israeli commandos killed 10 Turks after storming the Turkish-flagged Mavi Marmara en route to Gaza. Israel apologised in 2013 and talks have been ongoing to determine compensation for the families, but there has been no agreement yet, with Turkey conditioning a deal the lifting of the Gaza blockade. “As for the relations with Turkey -- the agreement is still far off,” Netanyahu’s office said. Israel has recently accused Turkey of harbouring a Hamas militant who orchestrated attacks against Israelis.

Greece's Tsipras resigns; calls snap polls to beat party revolt

AFP, 13.08.2015



Greek Prime Minister Alexis Tsipras announced his resignation and called for snap elections, as he went on the offensive to defend the country's massive bailout after it triggered a rebellion within his own hard-left party.

Tsipras did not give a date for the new polls but they are expected to be held on September 20, the state news agency ANA said, citing government sources. In a live televised address to the nation, the 41-year-old premier said he had worked hard to secure the best possible rescue package for his country, but he now needed a clear new mandate from the Greek people after it cost him his parliamentary majority.

"Now that this difficult cycle has come to an end, I wish to submit to your judgement all that we have done," Tsipras said, before meeting President Prokopis Pavlopoulos to formally hand in his resignation. The move leaves Greece in the hands of a caretaker government until the vote. Tsipras's announcement came on the same day the debt-crippled country received its first 13 billion euros in bailout cash on Thursday, effectively starting the mammoth rescue package agreed last month, and worth around 86 billion euros (\$96 billion) over the next three years. The money arrived just in time to allow the Greek government to make a key debt repayment of 3.4 billion euros to the European Central Bank. But the hard-won bailout -- which kept Greece in the EU but comes with painful demands for spending cuts and tax hikes -- has divided Tsipras's Syriza party after it stormed to power in January on an anti-austerity platform. Greek MPs approved the new rescue deal -- the country's third in five years -- but 43 of Syriza's 149 MPs either rebelled or abstained from the vote, forcing the premier to rely on the opposition for support. Dozens of Syriza MPs had already revolted in two previous votes on the bailout. In the face of such a large-scale rebellion, Tsipras, who remains popular with the electorate, had been widely expected to call snap polls in a bid to regain office with a stronger hand. The early vote move is the latest gamble by the charismatic young premier, who successfully persuaded Greeks to reject creditors' tough reforms in a referendum last month, only to adopt them at a eurozone summit a week later. Jeroen Dijsselbloem, the Dutch finance minister who chairs the so-called Eurogroup of eurozone finance ministers, warned that the early elections must not delay Greece from implementing the reforms it has agreed in exchange for the cash. "It's crucial that Greece maintain its commitments to the Eurozone," Dijsselbloem said.

Credit ratings agency Moody's expressed concern about the latest twist in the debt saga. "The Greek Prime Minister Tsipras's move to step down and call snap early elections on 20 September could elevate programme implementation concerns and, potentially, puts future official sector disbursements at risk," it said in a statement. But Martin Selmayr, chief of staff to European Commission head Jean-Claude Juncker, was more positive. "Swift elections in Greece can be a way to broaden support for ESM stability support programme just signed by Prime Minister Tsipras on behalf of Greece," he tweeted ahead of the vote announcement, referring to the EU bailout fund. Greece's creditors are expected to welcome Tsipras' bid to bolster his hand. The premier's resignation "is good economic news for Greece and for Europe," said Marcel Fratzscher, head of economic research institute DIW and an advisor to Germany's economics minister Sigmar Gabriel. "This will improve the prospects for a successful third programme and thereby for more economic growth," he said, though he warned of the short-term risks of a "political vacuum". The all-clear to unblock the first payment of rescue funds came after the bailout was approved by European parliaments, including Germany's Bundestag. The decision unlocked 13 billion euros for Athens to service its debts and set aside another 10 billion euros to recapitalise the country's cash-starved banks. Tsipras has said that Greece's creditors -- the European Union, European Central Bank, International Monetary Fund and the European Stability Mechanism -- have agreed to discuss public debt relief measures when a first assessment of reform compliance is completed in November. Greece's debt currently stands at a towering 312.8 billion euros, the finance ministry said, a level the IMF said is unsustainable and requires immediate relief. Ahead of Tsipras' announcement of his resignation, Greek stocks closed lower in the face of the political uncertainty, falling 3.5 percent. Frankfurt and Paris were down by 2.0 percent.

'Migrant cafe' owners in Greece's Kos broken by refugee crisis

AFP, 20.08.2015



Cafes lining the beach front on Greece's Kos that would usually be packed with holidaymakers have become unlikely first port of call for refugees landing in resort island. Struggling to provide basic hospitality and services like toilets, running water, electricity and food, these cafes have tried to adapt and fill in for a remarkable dearth of government assistance to the refugees.

But with many tourists now avoiding the beach front as they choose to dine and party in downtown Kos instead, well-meaning cafe owners have started to turn the refugees away.



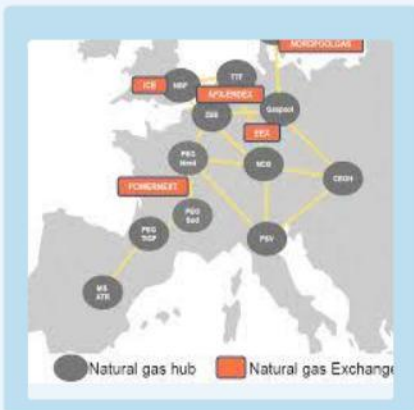
Eva Kitrina, who wears her platinum blond hair short and owns the Olympia Greek restaurant, says she has tried as much as possible to adapt to the chaos. “The only way we could find to make this work was to put up a board (advertising) sandwiches we could sell to them (the migrants), because all the tourists were gone from the area,” said Kitrina, who said the Olympia became a “migrant restaurant” last week. “They came and had some cheap sandwiches, they came and had cheap tea and coffee,” said Kitrina, who holds dual Danish-Greek nationality. The Olympia is located next to a stadium that Greek authorities used last week to register thousands of refugees and migrants, most of them fleeing conflicts in Syria, Iraq and Afghanistan. Police used batons and fire extinguishers to beat and spray 2,000 migrants waiting for hours on end in and around the stadium as a stampede threatened to break out, amid a shortage of basic services like food, water and latrines. “It got out of hand because we only have one toilet, and they are thousands. It’s not enough, we are only three people here: the cook, the lady who cleans and me. So how can we possibly be enough to help all these people?” Kitrina told AFP. Now that Kitrina and her father have stopped selling sandwiches to revert to serving tourists Greek appetisers, pasta and pizza, a young Iraqi refugee asks whether he can use the toilet. She shows him in. “It’s not their fault there’s a war, and it’s not our fault we have such a small island,” she said. A block away, business at the Yacht Cafe is also slow, except for a few journalists, regulars and the occasional migrant family. Owner Theodore Tzagas, 35, says his profits so far this August -- the peak of the tourist season -- are 70 to 75 percent lower than last year. “It’s really sad and I feel really sorry for them (migrants). I feel sorry, I wish I could help more, and I help as much as I can, but I’ve got wages (to pay), I’ve got taxes,” said Tzagas, who zips around Kos on a scooter.

Asked whether local authorities have offered to help his business recover, he points to the tents lining the beach just across the road and says: “If anybody needs help it’s those people who are waiting over there.” Echoing calls by the UN refugee agency and aid groups, Tzagas says the Greek government should provide a reception facility for the migrants. “If those people now had a better place to stay, we would also be ok,” he said. “Tourists would be able to enjoy the beach again. As you can see, the view is amazing.” Nervously puffing a cigarette, Tzagas also blamed the European Union for the shortfall. “They should have answered from the beginning when they started coming in ones and twos and tens,” he said.

Debt-ridden Athens and Kos authorities have consistently blamed each other -- and the EU -- for the failures, with Kos’s residents and the migrants paying the price for delays in assistance. Amid the dearth, tourists have also stepped in. A group of young German women could be seen distributing food and water to people living in tents, while a young American couple made trips to the abandoned Captain Elias hotel, where scores of people live in grim conditions. Helene Broncano, who came to Kos on holiday from Copenhagen with her husband and two children, says her travel agency allowed every ticket holder to carry an additional 20 kilos (44 pounds) of luggage, provided it was clothes for the refugees. “We will remember this holiday for sure, it has made me think differently about some of the people (refugees) we meet in Denmark,” said Broncano, adding that she has discussed the crisis with her children. “I will go back to Denmark and look up the Syrian conflict online. I realise now I don’t know anything about it. I want to find out: what is really happening there?”

Currencies to drive front-winter support levels

Argus, 20.08.2015



Support levels for European gas prices this winter could partly depend on currency movements and the timing of possible interest rate rises in the UK and US.

The US Federal Reserve is expected to raise interest rates this year or in early 2016, while the Bank of England is expected to follow suit in early 2016. The pound and dollar have already strengthened this year, while weak economic growth and the Greek crisis have weighed on the euro. A weaker euro against the dollar typically supports continental forward prices, particularly relative to the UK's National Balancing Point.

This is because it can lift import costs for buyers with contracts denominated in the US currency or with an exchange rate component. Russian state-controlled Gazprom's contracts with buyers are mostly denominated in dollars or euros, although some are also in pounds. The TTF front-winter contract has largely stayed above expected oil-indexed prices for delivery this winter because of strong demand for Russian gas. Hub prices above crude-linked levels could encourage a strong take from Gazprom this winter, while a weaker euro could push up the cost of oil-indexed imports. Another support level, particularly for central European prices, could also be partly determined by exchange rates. If Ukraine and Russia reach a deal for supply this winter the price would be set in dollars, while Ukrainian state-owned Naftogaz's imports from the EU are denominated in euros. Naftogaz could decide to take most gas from the cheapest source this winter, as it did during the second quarter. Ukraine imported through Slovakia at close to full capacity last winter and minimised its Russian receipts. But Naftogaz cut its deliveries from the EU in May-June and increased its take from Gazprom after Ukraine and Russia in April agreed a price of \$247.18/000m³ for the second quarter — cheaper than supply from the EU. And central European prompt and near curve prices largely held above \$247.18/000m³ during the second quarter because of strong injection demand. This discouraged strong exports to Ukraine, freeing up supply to boost the stockbuild. A similar support level this winter could depend on any price agreed by Russia and Ukraine. But a stronger dollar would lift the level of hub prices in euro terms which would offer less incentive for strong deliveries to Ukraine. That said, Ukraine may need strong imports from Europe throughout the winter to meet demand, regardless of the cost of its supply from Russia and the EU.

The expected timing of possible US interest rate rises have partly driven euro-dollar exchange rates. The dollar fell today to its lowest against the euro, following the release of the Federal Reserve minutes from its 28-29 July meeting that suggest that an interest rate increase in September could be unlikely. The conditions for increasing the policy rate “had not yet been achieved”, but were approaching that point, the Federal Reserve said yesterday. Some participants in last month’s meeting “discussed the risk that a possible divergence in interest rates in the US and abroad might lead to further appreciation of the dollar”, the Federal Reserve said. But some participants viewed the economic conditions for increasing the rate “as having been met or were confident that they would be met shortly,” the Federal Reserve said. The timing of UK interest rate rises could also drive the pound-euro exchange rate. A stronger pound against the euro typically weighs on NBP front-winter prices because it reduces the cost of imports from the continent. The NBP winter 2015-16 contract has slipped by 15.6pc since the start of the year in sterling, but by just 6.49pc in euro terms. The TTF winter 2015-16 market has dropped by 5.72pc, falling less than the NBP in euro terms partly because of the lower production cap at the Groningen field.

The pound has risen by 10.6pc for the same period against the euro since the start of the year, while the dollar has risen by 8pc against the unified currency. But sterling has weakened against the euro since the start of this month, particularly when the Bank of England suggested interest rate rises might be slower than previously expected. “Given the likely persistence of the headwinds weighing on the economy, when the Bank Rate does begin to rise, it is expected to do so more gradually and to a lower level than in recent cycles,” the Bank of England said. The NBP front-winter market rose by 1.18pc, while the TTF was up by just 0.24pc as the pound slipped by 1.06pc against the euro.

Britain to help fund Calais migrants aid, asylum processing

Reuters, 11.08.2015



Britain will contribute 10 million euros (\$11.2 million) to increased French humanitarian assistance and a fast-track asylum process for thousands of migrants camped in Calais in the hope of crossing the Channel, both countries said on.

The measures, announced by British Home Secretary Theresa May and her French counterpart Bernard Cazeneuve during a joint visit to the northern French port city, are accompanied by tighter security around the port and Channel Tunnel and combined police operations against people smugglers.



“Our joint approach rests on securing the border, identifying and safeguarding the vulnerable, preserving access to asylum for those who need it and giving no quarter to those who have no right to be here or who break the law,” the ministers said in a statement. For Britain and France, Calais is the focus of a wider migration crisis fuelled by conflict, persecution and poverty driving hundreds of thousands to flee Syria, Libya, Sudan and other Middle Eastern and African states. Tens of thousands of migrants are arriving in Italy and Greece each week, and Germany expects asylum claims to quadruple to a record 800,000 this year. About 3,000 migrants live in makeshift encampments in Calais, with many trying each night to jump onto trucks or trains or even walk the 31-mile (50-km) undersea tunnel to Britain. Some have been killed in the attempt. Under the plans outlined, London and Paris will contribute police resources to a Calais command centre established to “disrupt organised criminals who attempt to smuggle migrants into northern France and across the Channel”. Improved fencing, CCTV and other security equipment is being installed to protect the tunnel, with 10 million euros of British funding. Operator Eurotunnel will get financial support to deploy more security guards. London is to contribute another 5 million euros in each of the next two years to the bolstered humanitarian effort, including protected accommodation for women, children, victims of trafficking and other vulnerable people. That will be underpinned by a reinforced fast-track asylum process to distinguish between “people migrating for economic reasons and genuine victims of persecution”, the ministers said - with more resources used to “encourage migrants to take up voluntary returns packages”. The UN High Commissioner for Refugees, Antonio Guterres, said he welcomed “in particular the humanitarian and protection elements of the plan”. He added: “To be effective in cracking down on smugglers and traffickers, we must increase the number of legal avenues for people in need of protection to come to Europe.” The growing refugee crisis will also feature in talks between French President Francois Hollande and German Chancellor Angela Merkel, as southern European states bearing the brunt of the influx press for a concerted EU-wide response. “This is an absolute human tragedy, with people who are dying and people who are in terrible situations,” French Foreign Minister Laurent Fabius said earlier this week. France wants other European states to speed up the treatment of asylum claims with processing centres at the main entry points, Fabius said last week.

But humanitarian workers in Calais say the French asylum process is still far too slow, exacerbating the buildup of waiting migrants. “The main problem here is the time it takes for a response,” said Francois Guennoc of the French NGO Auberge des Migrants. An asylum seeker arriving today would not get a first appointment before December, Guennoc said. “It’s the longest it has ever been.” (\$1 = 0.8955 euros)

US warns China on agents pressuring expatriates to return home

Reuters, 17.08.2015



The United States has sent a warning to Beijing about Chinese agents it says are operating covertly in the United States to pressure fugitives, including some suspected of corruption, to return to China, the New York Times reported.

Citing the United States officials, the newspaper said the operation, named Operation Fox Hunt, was part of a worldwide effort by Beijing to repatriate fugitives and recover funds suspected of being tied to criminal activity. The Times said the State Department warned China in recent weeks to stop the agents' activities.

According to U.S. officials cited by the newspaper, the agents, working undercover for China's Ministry of Public Security, were likely entering the United States on trade or tourist visas and using "various strong-arm tactics" to pressure expatriates to go back home. Such tactics included threats against relatives in China, and had intensified in recent months, the officials told the Times. The newspaper cited Ministry of Public Security figures that more than 930 suspects worldwide had been repatriated under the program. Those being sought by China are believed to be prominent expatriates, some wanted for economic corruption or for what China considers political crimes, the Times reported.

Chinese President Xi Jinping is scheduled to make his first state visit to the United States next month as the countries seek to resolve tensions over such issues as trade, human rights and hacking. The State Department did not immediately respond to a request for comment.



Announcements & Reports

▶ *The Arab-US Strategic Partnership and the Changing Security Balance in the Gulf*

Source : CSIS

Weblink : <http://csis.org/publication/arab-us-strategic-partnership-and-changing-security-balance-gulf>

▶ *The Evolution of Cybersecurity Requirements for the U.S. Financial Industry*

Source : CSIS

Weblink : <http://csis.org/publication/evolution-cybersecurity-requirements-us-financial-industry>

▶ *Making Low-Carbon Technology Support Smarter*

Source : Bruegel

Weblink : <http://bruegel.org/2015/08/making-low-carbon-technology-support-smarter/>

Upcoming Events

▶ *National Perspectives on The Euro Area*

Date : 22 August 2015

Place : Brussels - Belgium

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

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

Date : 23 August 2015

Place : Brussels - Belgium

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

▶ *The Meaning of Russia's Nuclear Threats*

Date : 23 August 2015

Place : Washington DC – The USA

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



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

Date : 24 August 2015
Place : Washington DC – The USA
Website : <http://www.brookings.edu/events/2015/07/08-financing-post-2015-sustainable-development-lagarde>

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

Date : 25 August 2015
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/544-the-productivity-gap-why-is-innovation-not-increasing-growth/>

► *The Kuwait Crisis 25 Years Later*

Date : 26 August 2015
Place : Washington – The USA
Website : <http://www.brookings.edu/events/2015/07/15-kuwait-crisis-25-years-later>

► *Competitive Gains in the Economic and Monetary Union*

Date : 26 August 2015
Place : Brussels - Belgium
Website : <http://www.bruegel.org/nc/events/event-detail/event/534-competitive-gains-in-the-economic-and-monetary-union/>

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

Date : 26 August 2015
Place : London - UK
Website : <http://www.chathamhouse.org/event/future-capitalist-democracy-uk-japan-perspectives>

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

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

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

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

► *Challenges for Growth in Europe*

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



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

Date : 01 October 2015

Place : Paris - France

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

► *The Future of the Welfare State*

Date : 17 November 2015

Place : Berlin - Germany

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