

## Turkey ranks sixth in Brookings' financial inclusion study

Hurriyet Daily News, 25.08.2015



The Center for Technology Innovation at Brookings has launched the 2015 Brookings FDIP Report and Scorecard, which evaluates access to and usage of affordable financial services across 21 countries. According to Brookings' analysis, Turkey ranked sixth among the countries.

Brookings experts analyzed financial inclusion landscape in 21 economically and politically diverse countries, including Afghanistan, Bangladesh, Brazil, Chile, Colombia, Ethiopia, India, Kenya, Malawi, Mexico, Nigeria, Pakistan, Peru, the Philippines, Rwanda, South Africa, Tanzania, Turkey, Uganda, and Zambia, said the institute in a press release.

In the study financial inclusion was defined as “access to and use of formal financial services providing opportunities for facilitating individual prosperity and economic development.” Countries received scores and rankings based on 33 indicators spanning four dimensions: Country commitment, mobile capacity, regulatory environment and adoption. Turkey earned 74 percent of the total possible points to garner the top overall score in the study. The country ranked in 12th place for country commitment, 16th place for mobile capacity, 17th place for regulatory environment and tied for fourth place for adoption.

The country was also “among the highest-scoring countries regarding mobile 3G coverage and penetration of unique mobile subscriptions.” “Turkey has made important strides in galvanizing its commitment to financial inclusion through regulatory reform and involvement with the broader financial inclusion community. However, there is still room for improvement in Turkey’s financial inclusion ecosystem, particularly with respect to regional and gender disparities associated with access to and use of financial services and products,” said the study. Developing agent banking regulations, encouraging the development of interoperable electronic money platforms, and creating specific numeric targets within its financial inclusion action plan are concrete steps Turkey could pursue to advance financial inclusion, according to the study. The top-scoring countries in the analysis were Kenya (achieving 89 percent of the total possible points), South Africa (80 percent), Brazil (78 percent), Rwanda and Uganda (tied with 75 percent each) and Chile, Colombia and Turkey (tied with 74 percent each). “These countries demonstrated considerable commitment to financial inclusion by defining specific inclusion objectives and taking policy, regulatory and technological steps to speed progress toward inclusion,” said the study.

# Emboldened by \$5.2 billion Brazil deal, HSBC ‘drags feet in Turkey’

Reuters, 28.08.2015



HSBC is dragging its feet on the sale of its Turkish business to ING Group, two sources familiar with the matter said, as the bank is no longer in a hurry to exit Turkey after securing a hefty \$5.2 billion for its Brazilian unit.

Reuters reported HSBC was set to announce the sale of its loss-making Turkish operation to Dutch lender ING for between \$700 million and \$750 million, to boost profitability and reduce complexity. But after agreeing to sell its Brazilian business to Banco Bradesco 17.6 billion reais HSBC appears to be taking a slower tack on Turkish sale, the sources said.

“The sale of the Brazilian unit at a good price reduced the urgent pressure for the sale of the Turkish unit,” one source said. “HSBC does not want to lose ING’s interest, but by completing the sale ... in another country at a higher multiple to guarantee putting \$5 billion in its coffers, it has lessened the pressure and desire to exit Turkey rapidly at a lower multiple.” The other source said, “The process is continuing but the details are taking longer than had been thought.” HSBC did not immediately return requests for comment. A spokeswoman for ING said the company could not comment. Qatar National Bank, which had shown some preliminary interest in the Turkish assets, may be showing interest again, one of the sources said. The other source, however, said ING remained the only contender. Acquiring HSBC’s business would allow ING to roughly double its around \$15 billion of assets in Turkey, putting it on better footing in a highly competitive market. HSBC, Europe’s biggest bank, has around 300 retail branches and corporate and investment banking operations in Turkey. The Turkish business lost \$64 million last year after a \$155 million hit at its retail arm after regulatory changes capped interest rates on credit cards and overdrafts. Yet Turkey remains an attractive market for some lenders by virtue of its young population and geographic position between Europe and Asia.

ING was one of three banks to submit a non-binding bid in May, sources previously said. The others were Bahrain’s Arab Banking Corp (ABC) and France’s BNP Paribas. An acquisition would mark a return to the takeover trail for ING, which expanded internationally with a series of deals over two decades before needing to be rescued by the Dutch government at the height of the financial crisis in 2008.

# Turkish construction sector sounds alarm bells over plunging lira

Hurriyet Daily News, 27.08.2015



A representative of Turkey's construction sector has sounded the alarm bell after a steep fall in the value of the Turkish Lira significantly increased costs. "The construction sector is on the verge of bankruptcy," said Tahir Tellioglu, the chair of the Assembly of Construction Contractors in the Union of Chambers and Commodity Exchanges of Turkey (TOBB).

Speaking to daily Hürriyet, Tellioglu said the sector would take a serious blow "if the government does not take necessary steps." "The Turkish Lira has lost 35 percent of its value over the past three months.

Contractors who won public tenders, however, had profit margins of only 25 percent, and even that was at the maximum extremity," he said, adding that market demand for housing had "completely halted." According to Tellioglu, the average construction contractor had previously sold a home that cost 80 liras to build for 100 liras. "Now, the cost has risen to 110 Turkish Liras, which means that sales are bringing losses," he added. Proposals for cut in VAT, compensation for price difference. The government can and should intervene, Tellioglu claimed, offering two main proposals. "First of all, the government should issue a decree on price difference, which can guarantee the making up of losses due to the devaluation of the lira. Secondly, the ratio of Value Added Tax (VAT) could be reduced from its current level of 18 percent," he added.

For the state, such steps would mean a loss in tax revenue, Tellioglu admitted, but he argued that this would be worth the public cost. "This sector employs 2.3 million people directly. If the administration fails to take precautions for fear of losing 500 million Turkish Liras in tax revenue, then bankruptcies will follow and the sector will shrink by 25 percent," he said. "We are not begging. We'll see who will survive and who will die in six months," Tellioglu added. The lira, having already hit record lows, rose beyond the psychological barrier of 3 to the dollar for the first time ever last week, amid a combination of political uncertainty and rising militant violence in the southeast. Meanwhile, Turkish consumer confidence fell to its lowest in more than six years in August, official data showed.

# Three mobile operators win rights to 'advanced' 4G network

Hurriyet Daily News, 26.08.2015



Turkey's three existing mobile operators, Turkcell, Vodafone and Avea, have won the rights to the country's advanced 4G network due to be established for a sum of more than 1.14 billion euros, tender held by the Information and Communication Technologies Authority. Another bidder, Netgsm, declined to make an offer.

The new network will offer consumers the ability to use new technologies, including 5G, providing faster surfing, downloads and uploads as well as improved calling. The total amount of spectrum available will be increased by three times when the new network goes online.

The rights to the frequencies will last until April 30, 2029. A tender for 4G technologies had been announced earlier, but was delayed for three months in May. The tender was then announced for technologies dubbed "4.5G" with several revisions in the tender documents to increase the level of domestic research and development elements in the sector, according to officials. The rearrangement came after President Recep Tayyip Erdoğan harshly criticized 4G technology, saying Turkey should skip directly from 3G to 5G, which does not yet exist, within two years. Ömer Fatih Sayan, was appointed the head of the Information and Communications Technologies Authority (BTK), ahead of the key tender. Sayan had been the acting president of the unit since the beginning of this summer.

There are 20 packets up for tender in the final offer, each comprising different frequencies in the total available spectrum licensed by the Authority. Frequency-division duplexing (FDD) means that the transmitter and receiver operate at different carrier frequencies. Vodafone Turkey was the highest bidder for packet A1, at 800 MHz FDD of the Turkish mobile spectrum, offering 390 million euros (\$446.8 million). Avea was the highest bidder for packet A2, at 800 MHz FDD, offering 380 million euros (\$435.4 million). Turkcell was the highest bidder for packet A3, at 800 MHz FDD, bidding 373 million euros. The minimum price was set at 373 million euros for the A1, A2 and A3 packets. Avea was highest bidder for packet B1, at 900 MHz FDD, offering 216.8 million euros. Vodafone and Turkcell bid the same amount for packet B2, at 900 MHz FDD. After new bids were requested, Vodafone won with 40 million euros, which was the minimum price set by the communication regulator.

# World business, finance leaders to meet at B-20 in Ankara

Hurriyet Daily News, 21.08.2015



Global business leaders will discuss World economy risks and their expectations from the Group of 20 countries at the B-20 Turkey conference between in Ankara. Finance ministers and the central banks of the member states will seek solutions to the recent economic problems at high-level meetings.

Rifat Hisarcıklođlu, the head of B-20 Turkey and the president of Turkey's Union of Chambers and Commodity Exchanges (TOBB), will host the meeting that is planned to gather some 1,000 business people and representatives from the finance world from 60 countries.

Prime Minister Ahmet Davutođlu and Deputy Prime Minister Ali Babacan are also scheduled to address the attendees. IMF Director Christine Lagarde, Indian Central Bank Governor Raghuram Rajan and his Mexican and Turkish counterparts, Agustin Carstens and Erdem Bařçı, will be among the speakers. The B-20 is a sideline organization to the G-20, which is headed by Turkey this year. At the conference, TOBB chairman Hisarcıklođlu will share the results of the B-20's efforts since December 2014, when he took the seat simultaneously with Turkey's G-20 chair. Turkey's presidency will end this year with a high-level global meeting in Antalya, the Turkish coastal province by the Mediterranean Sea.

# Will a 3-lira dollar lead to an economic crisis in Turkey?

Hurriyet Daily News, 24.08.2015



There has been an acceleration in foreign investors' exit from the Turkish market after coalition options failed, conflicts escalated in southeastern Anatolia and both the United States and Germany decided to remove their Patriot missiles from Turkey.

The TL has plunged to around 3 liras to the US dollar. This dramatic loss in the currency's value was not unexpected, but few expected such a rapid plunge. The unwillingness of the CB to use the rate weapon against this rapid rising trend has made things worse. Foreign investors have been leaving the country, pushing the lira into to the ground.

The lira plunged from 2.75 to around 2.9 in the last 10 days. It is likely we'll see rates over the 3-lira threshold come mid-September, when the U.S. Federal Reserve (Fed) is expected to hike rates. The question is to what extent the economy will endure amid such low levels in the lira's value. Can the real sector remain robust? Is Turkey falling into an economic crisis? The Central Bank has published how much foreign capital is invested and how much comes, stays or leaves every Thursday since 2005. These short-term capital moves, which are called portfolio investments, play a great role in shaping the country's financial balance in general and the exchange rates in particular. The more foreigners convert their own dollars into liras and buy stocks and bonds, the more foreign currency pours into the economy, pushing the value of the lira up. A cheaper dollar enables imports, production levels on imports and economic growth to rise. The more these foreign investors sell these stocks and bonds and convert to the dollar to leave the country due to instability, the more the dollar's value increases. This has a negative effect upon consumption, investments and economic growth, and creates serious contractions in the economy. Turkey has been rapidly moving toward this critical threshold in the economy.

When Turkey was negatively affected by the global economic crisis in 2008 and 2009, there was a huge capital outflow from the country. While foreign investment was \$94 billion in 2007, this figure decreased to \$43 billion in the following year. With the outflow of foreign capital at \$51 billion, the dollar-lira parity surged from 1.3 to 1.5. With the rise in foreign capital inflow in the second half of 2009, parity started to ease again. A total of \$94 billion in foreign capital inflow was seen in 2010. This figure rose to record-high levels of \$135 billion in 2012. This led to the valuation in the lira and high growth levels. Even the current account deficit increased to alarming levels at \$77 billion and economic activities needed to slow down to decrease the gap. The foreign capital surplus was used to support foreign exchange reserves.



Following a gradual rate hike announcement by the Fed in mid-2013, the mode in foreign capital flows has changed for all emerging markets, including Turkey. Things have, however, worsened for Turkey this year. In addition to the rise in economic fragility, political risks and security concerns have been increasing, making Turkey dangerous for foreign capital. This week, foreign capital stocks decreased to \$84 billion. On Aug. 8, 2014, a total of \$114 billion in foreign capital was in Turkey. We have seen outflow of \$30 billion in foreign capital from Turkey over the last year. While the lira was 2.16 against the U.S. dollar, this rate is between 2.9 and 3 today, representing a 34 percent plunge in the lira's value. The most foreign capital outflow was seen from Russia and Brazil in 2015 as well as Turkey. Due to this trend, the local currencies of these countries have seen dramatic decreases in value. Some other countries devaluated their own currencies to make them more competitive, such as China, which devaluated the Yuan by around 4 percent. Competitors of China have also made some changes. The largest plunge was seen in the Brazilian real's value against the U.S. dollar between this year with around a 29 percent loss. This was followed by the Colombian peso and the lira by 25.2 and 24.5 percent, respectively.

The smallest loss was seen in the Indian rupee, which suffered a loss of just 3 percent. The currencies of Poland, Hungary and the Czech Republic also lost value of around 4-5 percent. Even the Russian ruble lost value at 5 percent this year after a freefall last year. The Russian ruble, however, lost 83 percent of its value between Aug. 18, 2014, and Aug. 18 this year. This currency was followed by the Colombian peso and the real at 58 percent and 53 percent, respectively. Norway's currency lost value of around 35 percent in this period after a devaluation in the country to offset the negative effects of the slump in oil prices. The lira followed it at around 34.3 percent in loss in value... The fast outflow in foreign capital has specifically hit sectors which need to pay their debts of \$168 billion in the short-term. This amount represents some 42 percent of the total debts. Who is indebted? Some \$110 billion of these debts are owed by Turkey's banks, \$54 billion by non-financial companies and \$4 billion by the state. In order to be able to manage this debt burden, they need to refinance their debts at around 3 liras to the U.S. dollar, although parity was around just 2 liras when they took on the debt. The real sector's open position is expressed by the Central Bank at around \$175 billion. Even with 10 kuruş in losses in the lira's value, the loss rises by 20 billion liras, making it more difficult to pay debts back.

It is a common assumption that the Fed will most probably hike rates following the Yuan devaluation in September. This will push foreign investors to exit Turkey amid rising political uncertainties and a possible election. The possibility of seeing the lira against the U.S. dollar at beyond 3 liras will rise in this scenario. The rapid rise in the value of the U.S. dollar used to bring real crises in the past. They were, however, no rises in time, but rather devaluations of up to 100 percent in one night. Such steep fluctuations led to serious political crises.

For instance, the 1979-1980 devaluation led to a serious economic crisis followed by the Sept. 12 coup in 1980. They were followed by another steep devaluation in 1994 and economic crisis, which ended the Tansu Çiller government. Turkey saw another plunge in the lira in 1999 and 2001, followed by a serious economic contraction at around 5 percent and the end of Bülent Ecevit's coalition government. As such, the central right wing collapsed.

It is not wrong to assume that each plunge in currency will lead to an economic crisis and that each crisis will lead to a political collapse. The latest example showing this was the 2009 economic crisis. The global economic crisis seriously hit the Turkish economy in 2009, but the government was able to continue sailing thanks to a number of measures. It is not right to use the term “crisis” to define the turbulence which the Justice and Development Party (AKP) has been experiencing. For instance, Turkey has not yet faced a serious crisis, as opposed to what occurred in 1994 or 2001. The country has, however, been displaying insipid growth numbers. In order to be able to talk about a crisis, there must be negative growth. Turkey has not seen a negative growth trend yet. The country has regressed to 2-3 percent in growth for the last four years, but that is it. We can just talk about the rise of insipid conditions for a country, which used to grow at an average of 5 percent in recent years, but is now growing at just 2-3 percent. This is not a crisis. It is obvious that both the rising economic, political and geopolitical risks have made foreign investors uncomfortable. Even if there is not much appealing abroad for investors, the Fed’s possible rate hike in September has attracted all attention. There are also some emerging markets which promise better conditions than Turkey do right now. It should always be remembered that political actors have the tools to say “no” to the rising negativities, as public finances can especially be used as they were in 2009. The government may not have unlimited powers, but it has the capacity to extinguish possible fires in the economy. Therefore, the government has tightened public finances, limited public spending and eyed new privatization opportunities to find new financial resources. Nevertheless, the Turkish economy has serious fragilities. The risks to the economy are rising, and at some point, the fire may burn out of control despite all efforts by the Central Bank and resource injections from public finances. This is always a possibility, and this September will especially be very critical.

## Turkey: Foreign investment falls 9.6 pct in first half

Anadolu Agency, 22.08.2015



Foreign direct investment (FDI) in Turkey reached \$6.3 billion in the first half of the year, the Turkish Economy Ministry said in a statement. FDI decreased by 9.6 percent compared with the \$7 billion invested in the same period last year, the statement said. The energy sector took in the largest amount of FDI at \$1.27 billion, and manufacturing sector followed at just over \$1 billion. About 40 percent of total FDI came from the EU.

Close to \$1.7 billion, about 38 percent, was from Asia, including Gulf Countries, up from \$631 million in the same period.

There were 141 new foreign-funded companies established in June 2015, making a total of 44,245 companies with international capital operating in Turkey. More than 6,238 were funded by German capital while U.K. investors financed 2,830.



## Turkcell to establish consumer financing company

Hurriyet Daily News, 28.08.2015



Leading mobile operator in Turkey Turkcell has decided to establish a consumer financing company with a capital ceiling of up to 500 million Turkish Liras (\$171.5 million), it said in a written statement to the Public Disclosure Platform.

“Our board of directors has made a decision to incorporate a consumer financing company with a capital ceiling of up to 500 million Turkish Liras and to authorize management to carry out all the necessary transactions and obtain required permits in this regard. Accordingly, the company has applied to the Banking Regulation and Supervision Agency (BDDK) for necessary approvals,” said the statement.

The company also said it applied to the Capital Markets Board (SPK) for the approval of an issuance certificate to issue bond, commercial paper or any other debentures with an amount up to \$1 billion or its equivalent in another currency, to real and legal persons domiciled outside of Turkey, through private placement and/or sales to qualified investors, without a public offering, in another statement. With nearly 35 million subscribers, Turkcell also has investments in communication sectors in Azerbaijan, Kazakhstan, Georgia, Moldova and Northern Cyprus.

## Turkish FM criticizes countries that call on Turkey to do more on foreign fighters

Hurriyet Daily News, 26.08.2015



Countries that accuse Turkey of not doing enough against foreign fighters traveling to Syria and Iraq have actually released foreign fighters deported by Turkey, Foreign Minister Mevlüt Çavuşoğlu has stated. “Countries that say Turkey is acting irresponsibly regarding foreign fighters, or it can do better, are releasing fighters that we have deported,” Çavuşoğlu said in an interview with Kanal 24 news channel late.

He said many who have been deported by Turkey have appeared on the Turkish border again, with their countries of origin citing “freedom of travel.”

Turkey has deported more than 1,900 suspected foreign fighters, 1,500 of whom have returned through Turkish airports, Çavuşoğlu said, adding that the authorities have also put a travel ban on more than 18,000 people. The foreign minister also stressed that Ankara does not consider the decision of Germany and the United States to withdraw the Patriot missile defense system as a “political move.” “We don’t consider it to be an act against Turkey,” he added. Meanwhile, Çavuşoğlu called on Germany to fulfill its legal commitment concerning controversial former prosecutors Zekeriya Öz and Celal Kara who have fled to the country, stressing that the issue is “serious.” The Turkish foreign minister also slammed the “sectarian” role of Iran in the region. “Iran might be uneasy about our policies in the region, because we always say we are against Iran’s sectarian policies. We say it to their faces too,” he said, calling on Tehran to be more “constructive.”

## Iraq to pay for Turkish factory seized by ISIL

Hurriyet Daily News, 27.08.2015



The ISIL has seized a cement factory, owned by Turkish Balance Gayrimenkul, in Iraq and the company expects the repayment of half of the losses by Iraq after a meeting with the Turkish PM. “We discussed this issue with PM Ahmet Davutoğlu. We expect half of our losses will be paid for by the Iraqi government,” said the company chairman, İsmail Çoban.

Balance Gayrimenkul, the real estate unit of Turkish chocolate maker Şölen, has the 30 percent of stake in the cement factory, which was seized by ISIL. “The Baghdad government has a 15 percent stake and we also have two local partners in the factory.

The Iraqi government was responsible for ensuring security in the site,” said Çoban. “As soon as the problem is solved, we’ll back to the table to reconsider our investment plans,” he said. Many production facilities and construction sites of Turkish companies have been seized since March 2011, such as two cement facilities owned by Gürış Holding. The company said its losses were around 50 million euros. A production facility owned by Hateks was also seized in Aleppo, which company representatives could not visit for a long time. Another Turkish company, Akteks, also lost its company after the civil war broke out in Syria in 2011. “We could not hear anything from our factory. We do not know what happened to our machines, who seized them or who runs the factory right now. We made around a \$40 million investment there,” told Akteks Chairman Mehmet Ali Mutafoğlu daily Hürriyet online.

## Pentagon: Turkey to join coalition's air fight against ISIL soon

Reuters, 28.08.2015



The United States and Turkey have finalized technical details on an agreement to include Turkey in an international effort to bring down the Islamic State of Iraq and the Levant (ISIL), fully integrating Turkey into the U.S.-led coalition's air strikes against the militant group, a Pentagon spokesman said on. "It could take a few days to put these technical arrangements into place at the operational level. We believe that Turkey is committed to fully participating as soon as possible," Pentagon press secretary Peter Cook said at a media briefing.

Cook said the United States is continuing to discuss border operations with Turkey.

## Israeli air strike targets Hamas in response to rocket attack

Reuters, 21.08.2015



Israel launched an air strike against a Hamas facility in response to a rocket fired from the Gaza Strip, the Israeli army said. No one was hurt in the night-time rocket attack on southern Israel, the army said in a statement. There were no immediate reports of any casualties in the Palestinian enclave after warplanes struck what Israeli military said was a weapons factory belonging to ruling Hamas movement.

Salafi jihadist groups that support al Qaeda's calls for a global holy war have claimed most of the sporadic rocket strikes on Israel from the Gaza Strip since the end of a 50-day war a year ago.

There was no immediate claim of responsibility for the rocket, which exploded in an open area adjacent to the Gaza border, but Israel has said it holds Hamas accountable for any attacks from the enclave of 1.8 million Palestinians. According to the Israeli Foreign Ministry website, 11 rockets from the Gaza Strip, excluding the one launched, have struck Israel since the Egyptian-brokered ceasefire that halted the Gaza war. Three weeks ago, after a rocket hit southern Israel, Israeli planes bombed a Hamas training camp, wounding four security men. A small Salafi group said it had launched it.

# White House: US air strike kills 'ISIL number two'

AFP, 22.08.2015



The second-in-command of the Islamic State of Iraq and the Levant (ISIL) has been killed in a US air strike in northern Iraq, the White House said. The National Security Council identified the slain militant as Fadhil Ahmad al-Hayali, also known as Haji Mutaz, and said he was ISIL leader Abu Bakr al-Baghdadi's senior deputy. This is not the first time that US officials have announced Hayali's death.

In December, US defense officials, speaking to reporters on condition of anonymity, said he was one of several senior figures killed in coalition strikes, giving another of his pseudonyms, Abu Muslim al-Turkmani.

But US forces now say they were able to kill him, along with an ISIL "media operative" known as Abu Abdullah, in a strike on a vehicle near the city of Mosul. The White House described Hayali as a member of ISIL's ruling council, and "a primary coordinator for moving large amounts of weapons, explosives, vehicles and people between Iraq and Syria. "He supported ISIL operations in both countries and was in charge of ISIL operations in Iraq, where he was instrumental in planning operations over the past two years, including the ISIL offensive in Mosul in June 2014," it said. Like many senior Iraqi jihadists, before joining ISIL, Hayali had been a member of Al-Qaeda's Iraqi faction. He was reportedly a former Iraqi officer from the era of Saddam Hussein.

# Greece's Varoufakis says will not take part in 'sad elections'

Reuters, 27.08.2015



Yanis Varoufakis will not take part in “sad” elections expected next month in Greece and will instead focus on setting up a new movement to “restore democracy” across Europe, told Reuters. The combative, motorbike-riding academic was sacked as finance minister after alienating euro zone counterparts with his lecturing style, hampering Greece’s efforts to secure a bailout from partners.

The one-time political rockstar has since steadily attacked the bailout programme that PM Alexis Tsipras subsequently signed up to and the austerity policies that go with it, rebelling against his former boss in parliament.

“I’m not going to take part in these sad elections,” Varoufakis told Reuters by telephone when asked about the vote likely to be held on. Tsipras’s Syriza party, which hopes to return to power with a strengthened mandate, says it will not allow Varoufakis and others who voted against the bailout to run for parliament under the Syriza ticket anyway. “Not only him but other lawmakers who did not back the bailout will not be part of the ticket,” a party official said. Tsipras has poured scorn on Varoufakis, telling Alpha TV that he had realised in June that “Varoufakis was talking but nobody paid any attention to him” at the height of Greece’s negotiations with IMF and European Union lenders. “They had switched off, they didn’t listen to what he was saying,” Tsipras said. “He didn’t say anything bad but he had lost his credibility among his interlocutors.”

Varoufakis, in turn, likened Tsipras to the mythical Sisyphus condemned to push a rock uphill only to have it roll back down, telling Australia’s ABC Radio the prime minister had embarked on “pushing the same rock of austerity up the hill” against the laws of economics and ethical principles. The 54-year-old Varoufakis has already dismissed speculation that he would join the far-left Popular Unity party that broke away from Syriza last week, telling ABC that he had “great sympathy” but fundamental differences with them and considered their stance “isolationist”. Instead, he told Reuters he wanted to set up a European network aimed at restoring democracy that could eventually become a party but at the moment was just an idea that he had seen a lot of support for. “Instead of having national parties that run on a national level it will be a European network which is active on a national level,” he said. “It’s not something immediate. It’s something slow-burning ... something that gradually grows roots across Europe.”

# Merkel says Austrian migrant tragedy a 'warning'

AFP, 28.08.2015



The “horrible” discovery of between 20 and 50 dead migrants inside a truck in Austria is a warning to Europe to tackle its migrant crisis, Merkel said. “We were all shaken by the horrible news that up to 50 people lost their lives because they were in a situation where people-smugglers did not care about their lives,” Merkel said at a summit of western Balkan leaders in Vienna. “This is despite the fact that these people were seeking safety and protection but came to such a tragic end,” she said.

“This is a warning to us to tackle this migrants issue quickly and in a European spirit, in a spirit of solidarity, ,”she told.

Austrian police discovered the bodies in a lorry with Hungarian number plates parked by the side of a motorway near the Slovakian and Hungarian borders. They said there may be as many as 50 bodies inside, but the cause of death was not immediately clear. The lorry is believed to have been there since. The truck was towed away on in the afternoon without the corpses being unloaded, an AFP photographer at the scene near Parndorf in Burgenland said. Austrian Chancellor Werner Faymann said it “showed once again how necessary it is to save the lives of people by fighting criminality and people-smuggling.” Western Balkan countries are facing “huge challenges” handling tens of thousands of migrants trying to get to the EU, Merkel said. At least 55 dead bodies were discovered on three overcrowded migrant boats in the Mediterranean, according to the Italian coastguard, on a day that saw some 3,000 others rescued in the sea. Almost all of the victims were found in the hold of a boat found drifting off the Libyan coast by a Swedish vessel. Media reports said they had choked to death on gas fumes. The macabre discoveries add to a toll of more than 2,300 people who have drowned in the Mediterranean since the beginning of 2015, already exceeding the death toll for the whole of 2014, according to the International Organization for Migration. In Hungary, another country overwhelmed by record numbers arriving, there were ugly scenes in the border town of Roszke as police fired tear gas at people who were trying to leave a refugee processing center after refusing to be fingerprinted.

Hungarian lawmakers will vote next week on whether to send troops to stem the influx, as more than 2,500 people crossed into the EU country from its southern frontier with Serbia, days before the completion of the razor-wire fence.

# Merkel, Hollande urge unified EU response to refugee crisis

AFP, 20.08.2015



A new wave of migrants began entering the European Union from Serbia as the leaders of France and Germany called for a unified response to the continent's biggest migrant crisis since World War II. The EU has been struggling to find a response to the unprecedented numbers arriving -- from the thousands landing on the shores of Greece and Italy to the hundreds risking their lives to climb onto trucks to travel from France to Britain.

The crisis also threatens to hijack a summit in Vienna of leaders from the western Balkans region.

"We must put in place a unified system for the right to asylum," French President Francois Hollande said in a brief statement ahead of talks with German Chancellor Angela Merkel, calling the influx from the world's crisis zones "an exceptional situation that will last for some time". "Rather than wait, we should organise and reinforce our policies, and that is what France and Germany are proposing," Hollande said. More than 1,000 migrants and refugees arrived in EU member Hungary late, the first in a wave of about 7,000 people who found their gruelling journey to Europe blocked last week, when Macedonia declared a state of emergency and closed its Greek border for three days. An AFP photographer witnessed them finally arrive in Hungary from Serbia via a cross-border railway track, close to the southern Hungarian village of Roszke. Their crossing comes just days before the Hungarian government deadline for the completion of a razor-wire barrier along the length of its southern border with Serbia -- which is not a member of the EU -- in a bid to keep migrants out. Germany, which expects to take in 800,000 asylum seekers in 2015, saw anti-migrant sentiment rear its head over the weekend as violent protests erupted against a refugee home, provoking anger from Merkel. "It is vile for far-right extremists and neo-Nazis to try to spread their hollow, hateful propaganda but it is just as shameful for citizens including families with children to join them" in the protests, said Merkel in her strongest statement to date against a wave of anti-refugee protests to hit eastern Germany. EU border agency Frontex said that a record 107,000 migrants were at the bloc's borders last month, with 20,800 arriving in Greece last week alone. In what has become a regular occurrence, Greece's coastguard said it recovered the bodies of two migrants who drowned when their boat sank off its shores. Another five were missing. A man trying to get into Britain was seriously hurt in northern France, most likely hit by a train, while the Channel Tunnel was temporarily closed after migrants flocked onto train tracks nearby. And, following the wave of 7,000, at least 2,000 more migrants poured into Serbia from Macedonia overnight, intent on heading north through Hungary to more prosperous European countries such as Germany or Sweden.

Macedonian police used stun grenades and batons to stop hundreds of refugees trying to break through barbed wire fencing before apparently deciding to let everyone enter. With asylum-seekers coming not just from war zones such as Syria but also from countries without military conflict in southeastern Europe, Hollande and Merkel reiterated their calls for Brussels to draw up a list of safe countries of origin. Germany in particular sees this as a priority, as 40 percent of its asylum-seekers come from countries such as Albania and Kosovo. Merkel is travelling to Vienna, where she will meet Balkan leaders to find out why “so many thousands of people are coming from these countries”, her spokesman Steffen Seibert said. Other coordinated action sought by Hollande and Merkel includes the rapid setting up of reception centres in overwhelmed Greece and Italy -- two countries that have borne the brunt of the crisis -- to help identify asylum-seekers and illegal migrants. Merkel stressed that the centres must be set up at the first ports of call to be administered and staffed by the EU as a whole by the end of the year. “We cannot tolerate a delay,” she said. The slow progress by Italy in processing the asylum claims prompted 100 asylum seekers at a reception centre in Milan to stage a road-blocking protest. The high-profile demonstration triggered a furious reaction from right-wing politicians who have consistently attacked the government over its failure to stem the flow of new arrivals. Nearly 5,000 people were rescued off the coast of Libya over the weekend, and Italy was starting to process those applications. Italian Foreign Minister Paolo Gentiloni, who has warned that the deepening crisis could pose a major threat to the “soul” of Europe, that “either the EU rediscovers its true self or it disappears altogether”.

## Italy hits back at Merkel in migrants row

AFP, 26.08.2015



Italy’s Foreign Minister has scathingly dismissed criticism from France and Germany over its handling of the tens of thousands of migrants arriving on its southern shores.

“Italy is doing what it has to do and by saving thousands of lives and by taking in refugees,” FM Gentiloni said, describing his country as “a positive model on international stage.” Merkel, at talks with Hollande, publicly rebuked Italy and Greece over the pace of progress in establishing registration centres for newly-arrived migrants, warning it would be intolerable if the centres were not operational.

Merkel and Hollande’s remarks have embarrassed a government which has struggled to cope with the arrival of some 280,000 migrants on its territory since the start of last year, most of them rescued from the Mediterranean by Italy’s coastguard or navy. “Asking Greece and Italy to do their duty on immigration is like asking a country hit by floods to step up the production of umbrellas,” Gentiloni said. “Europe needs to go in exactly the opposite direction from attacking the countries situated on its external borders.”



The minister said the crisis could only be resolved by a Europe-wide approach. “That may seem ambitious but ... it is the only way possible. The migrants are coming to Europe, not to Italy, Greece, Germany or Hungary. The way things are going, there is a risk of [open borders accord] Schengen being called into question and having to go back to the old frontiers.” At the heart of the row are EU rules that require asylum-seekers to apply for refugee status in the country they first land in.

In practice it is where individuals are first registered that counts and the northern Europeans accuse the Italians and Greeks of being deliberately lax in formally identifying migrants arriving by sea, allowing the bulk of them to quickly pass through their territory to lodge their asylum applications elsewhere. Italy and Greece respond that it is not feasible or reasonable for them to take in hundreds of thousands of refugees who have no desire to remain in their countries. Gentiloni told Corriere that the rules had to be revised before the proposed EU reception centers could be established.

## India, Pakistan blame each other for cancellation of talks

AP, 23.08.2015



India and Pakistan blamed each other for the cancellation of talks between their national security advisers with the rivals squabbling over the agenda. The meeting scheduled for in New Delhi would have resumed dialogue between the nuclear-armed neighbors a year after India canceled talks because Pakistan had consulted with Kashmiri separatists.

“The cancellation of talks at the level of the national security advisers is unfortunate. It’s Pakistan which has canceled the talks and not India,” Indian Home Minister told, adding that possibility of any future dialogue would depend on Pakistan.

Pakistan’s foreign ministry issued a statement rejecting India’s suggestion to restrict the meeting to issues related to terrorism. Pakistan was keen on discussing the dispute over Kashmir and meet with Kashmiri separatist leaders. Pakistan’s national security adviser, Sartaj Aziz, did not travel to New Delhi as planned. He was scheduled to meet with his Indian counterpart, Ajit Doval. Uncertainty about Aziz’s trip began when India said it would not be “appropriate” for him to meet with separatist leaders from Indian-controlled Kashmir. Pakistan’s high commissioner to New Delhi had invited Kashmiri leaders to meet with Aziz. “It has been pointed out repeatedly that it has been a long-standing practice that whenever Pakistani leaders visited India during the past 20 years, they have been meeting (separatist) leaders,” Pakistan’s statement said.



“It would be inappropriate for India to now impose the condition of changing this long-standing practice.” India accuses Pakistan of arming and training insurgents fighting for Kashmir’s independence from India or its merger with Pakistan, a charge Islamabad denies. More than 68,000 people have been killed in the violence. India and Pakistan have fought two wars over their competing claims to Kashmir, and each administers part of it. India’s external affairs minister, Sushma Swaraj, said that Aziz would be welcome if he agreed to limit his discussions to ending terrorism and violence. “India would discuss the Kashmir dispute with Pakistan after the issue of terrorism is resolved,” she told reporters. Hours later, Pakistan’s foreign ministry issued its statement, saying it had come to the conclusion that the proposed talks would not serve any purpose if conducted on the basis of the conditions laid down by Swaraj.



# Announcements & Reports

## ▶ *Repeat Elections, Repeat Result?*

**Source** : CSIS  
**Weblink** : <http://csis.org/publication/repeat-elections-repeat-result>

## ▶ *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** : 28 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** : 28 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** : 29 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** : 30 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** : 30 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** : 31 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** : 31 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** : 31 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/>