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MUSTAFA MURAT KASAR

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NEW YORK TIMES

Turkey Jails 3 Journalists in Coup Investigation

By SEBNEM ARSU

ISTANBUL — Three journalists from a Web site critical of the government were jailed and charged on Friday as part of an investigation into accusations that the military plotted to overthrow Turkey’s pro-Islamic government in 2003. The moves came as Prime Minister [Recep Tayyip Erdogan](#) sharply criticized the new American ambassador here for his comments on the case.

Charges of membership in an illegal network, disclosing state documents and inciting public animosity were filed against Soner Yalcin, an investigative journalist and owner of the Web site, OdaTV; Baris Terkoglu, the news editor; and Baris Pehlivan, a writer. After their initial detention on Monday the ambassador, [Francis J. Ricciardone Jr.](#), said that it was hard to square the action against them with the Turkish government’s professed support of press freedom.

The Turkish Journalists Association condemned the legal action and said that there were thousands of journalists facing prosecution and 58 already imprisoned for their writings and opinions.

Mr. Erdogan said Friday that journalists had no immunity from prosecution and criticized Mr. Ricciardone.

“Unfortunately, some outsiders snooping into things that are not their business believe in this fuss and make comments,” he said in a speech broadcast to governing party members. “First stop and research, ask what it is all about, what the judiciary will be doing, ruling for what, learn all of this. This is called amateur diplomacy.”

A State Department spokesman, Philip J. Crowley, said Wednesday that Washington stood by the ambassador’s remarks and that it would be watching the journalists’ case very closely. “We do have broad concerns about trends involving intimidation of journalists in Turkey,” Mr. Crowley said.

Prosecutors have arrested dozens of military and former military personnel over the suspected plot, which they say was aimed at overthrowing Mr. Erdogan’s government after his party came to power in 2002. Leaders of Turkey’s armed forces have denied that any such plan existed.

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(Text 2)

February 10, 2011

The Next Step for Egypt's Opposition By Mohamed ElBaradei Cairo

WHEN I was a young man in Cairo, we voiced our political views in whispers, if at all, and only to friends we could trust. We lived in an atmosphere of fear and repression. As far back as I can remember, I felt outrage as I witnessed the misery of Egyptians struggling to put food on the table, keep a roof over their heads and get medical care. I saw firsthand how poverty and repression can destroy values and crush dignity, self-worth and hope.

Half a century later, the freedoms of the Egyptian people remain largely denied. Egypt, the land of the Library of Alexandria, of a culture that contributed groundbreaking advances in mathematics, medicine and science, has fallen far behind. More than 40 percent of our people live on less than \$2 per day. Nearly 30 percent are illiterate, and Egypt is on the list of failed states.

Under the three decades of Hosni Mubarak's rule, Egyptian society has lived under a draconian "emergency law" that strips people of their most basic rights, including freedom of association and of assembly, and has imprisoned tens of thousands of political dissidents. While this Orwellian regime has been valued by some of Egypt's Western allies as "stable," providing, among other assets, a convenient location for rendition, it has been in reality a ticking bomb and a vehicle for radicalism.

But one aspect of Egyptian society has changed in recent years. Young Egyptians, gazing through the windows of the Internet, have gained a keener sense than many of their elders of the freedoms and opportunities they lack. They have found in social media a way to interact and share ideas, bypassing, in virtual space, the restrictions placed on physical freedom of assembly.

The world has witnessed their courage and determination in recent weeks, but democracy is not a cause that first occurred to them on Jan. 25. Propelled by a passionate belief in democratic ideals and the yearning for a better future, they have long been mobilizing and laying the groundwork for change that they view as inevitable.

The tipping point came with the Tunisian revolution, which sent a powerful psychological message: "Yes, we can." These young leaders are the future of Egypt. They are too intelligent, too aware of what is at stake, too weary of promises long unfulfilled, to settle for anything less than the departure of the old regime. I am humbled by their bravery and resolve.

The Next Step for Egypt's Opposition - NYTimes.com

Many, particularly in the West, have bought the Mubarak regime's fiction that a democratic Egypt will turn into chaos or a religious state, abrogate the fragile peace with Israel and become hostile to the West. But the people of Egypt — the grandmothers in veils who have dared to share Tahrir Square with army tanks, the jubilant young people who have risked their lives for their first taste of these new freedoms — are not so easily fooled.

The United States and its allies have spent the better part of the last decade, at a cost of hundreds of billions of dollars and countless lives, fighting wars to establish democracy in Iraq and Afghanistan. Now that the youth of Cairo, armed with nothing but Facebook and the power of their convictions, have drawn millions into the street to demand a true Egyptian democracy, it would be absurd to continue to tacitly endorse the rule of a regime that has lost its own people's trust.

Egypt will not wait forever on this caricature of a leader we witnessed on television yesterday evening, deaf to the voice of the people, hanging on obsessively to power that is no longer his to keep.

What needs to happen instead is a peaceful and orderly transition of power, to channel the revolutionary fervor into concrete steps for a new Egypt based on freedom and social justice. The new leaders will have to guarantee the rights of all Egyptians. They will need to dissolve the current Parliament, no longer remotely representative of the people. They will also need to abolish the Constitution, which has become an instrument of repression, and replace it with a provisional Constitution, a three-person presidential council and a transitional government of national unity.

The presidential council should include a representative of the military, embodying the sharing of power needed to ensure continuity and stability during this critical transition. The job of the presidential council and the interim government during this period should be to set in motion the process that will turn Egypt into a free and democratic society. This includes drafting a democratic Constitution to be put to a referendum, and preparing for free and fair presidential and parliamentary elections within one year.

We are at the dawn of a new Egypt. A free and democratic society, at peace with itself and with its neighbors, will be a bulwark of stability in the Middle East and a worthy partner in the international community. The rebirth of Egypt represents the hope of a new era in which Arab society, Muslim culture and the Middle East are no longer viewed through the lens of war and radicalism, but as contributors to the forward march of humanity, modernized by advanced science and technology, enriched by our diversity of art and culture and united by shared universal values.

We have nothing to fear but the shadow of a repressive past.

Mohamed ElBaradei, as the director general of the International Atomic Energy Agency, won the Nobel Peace Prize in 2005. He is the author of the forthcoming book "The Age of Deception:

The Next Step for Egypt's Opposition - NYTimes.com
http://www.nytimes.com/2011/02/11/opinion/11elbaradei.html?_r=1&...

(TEXT 3)

The Christian Science Monitor - CSMonitor.com

Turkey releases report on flotilla incident, accusing Israel

By [Scott Peterson](#), Staff writer
posted January 25, 2011 at 1:07 pm EST

Istanbul, Turkey —

Turkey publicizes its internal report on the flotilla debacle in response to Israel's Turkel Commission investigation report on Sunday.

In this May 31, 2010 file photo the Mavi Marmara ship, the lead boat of a flotilla headed to the Gaza Strip which was stormed by Israeli naval commandos in a predawn confrontation, sails into the port of Ashdod, Israel. Turkey released its own internal report on the incident, which blames Israel for the confrontation's

deadly outcome.
(Ariel Schalit/AP Photo)

Antagonism between Turkey and Israel is being reinvigorated as each nation's report about the lethal storming by Israeli commandos of the [Mavi Marmara ship](#) last May is made public.

Eight Turks and an American citizen of Turkish descent were killed during the 4:26 a.m. raid on the humanitarian aid flotilla, which was cruising 72 miles off the coast in international waters on its way to break Israel's Gaza blockade.

The Turkish report found that Israeli units shot dead two people from their helicopters before fast-roping onto the deck, where they battled passengers armed with sticks, clubs, and knives mostly drawn from the ship's eight kitchens.

What Turkey found

Turkey's report on the incident was submitted to a United Nations investigation last September, but is now being made public after Israel on Sunday published its own report, which cleared the Israeli military and government of any wrongdoing.

"The attacker can't claim that he is defending himself," a senior Turkish foreign ministry official said Tuesday. "Our aim was not to demonize Israel or the Israeli people [or] to tarnish the Israeli nation.... But Israel has not come to terms with their injustice."

The report of Israel's Turkel Commission – which is to be the basis of Israel's findings for the UN investigation – affirms Israel's official declarations that its units killed in self-defense. Turkish officials have dismissed it as "flawed" and a "whitewash."

Outrage in Turkey over the incident has deeply damaged Israel's relations with one-time close ally Turkey, which has demanded an apology and reparations.

The Turkish report said that Israel mounted a "full-fledged and pre-meditated attack" by heavily armed soldiers with live ammunition that used "excessive, indiscriminate and disproportionate force ... against the civilians on board," the Turkish report said.

Once the Israelis took over the vessel they "continued to brutalize and terrorize the passengers, abusing them physically and psychologically," the report found. During interrogation that lasted days in Israel, all passengers were "forced to sign incriminatory statements" in Hebrew, while "evidence of critical importance to shed light on the attack was destroyed, tampered with or despoiled."

Some findings of the Turkish report echo those from the UN Human Rights Council, whose fact-finding mission last September concluded "a series of violations of international law ... were committed by the Israeli forces during the interception of the flotilla."

What Israel found

Israel's Prime Minister Benjamin Netanyahu praised the Israeli commission findings, which stated that Israeli soldiers acted appropriately on the ship after they "encountered a real resistance force, armed with clubs, iron rods, chairs, etc."

The report stated that the “largest group” among the 600 on board was made up of “peace activists,” and that an order went out over the Mavi Marmara’s public address system telling all passengers to return to their seats.

The commission stated that passengers who were “direct participants in hostilities” could legally be considered combatants.

It also found that Israeli soldiers “acted professionally and in a measured manner,” though their actions “had the regrettable consequences of the loss of human life and physical injuries.”

"I hope all those who rushed to judgment against Israel and its soldiers will read these reports," Mr. Netanyahu said. "The truth is that our soldiers were defending our country and defending their very lives. This is not only their right; it is their duty."

Loopholes and whitewash?

The Israeli position has prompted fury in Turkey, where President Abdullah Gul said Israel’s report “isn’t worth the paper it is printed on – it has no credibility, legitimacy, or plausibility.”

“It’s full of legal loopholes, it’s distorting facts, and unfortunately it whitewashes the Israeli military,” said the senior Turkish official in Istanbul. “Our conclusion is it’s shielding those people who are responsible ... from international prosecution in the future.”

Turkey’s report confirmed initial autopsies, noting that “most suffered from multiple shots at close range.” [Witnesses](#) reported shortly after the event that Israelis used laser sights on their guns in some cases; one of the dead was shot between the eyes.

The Turkish report also details what it called efforts by Israel to complicate any Turkish forensic examination. Bodies had been washed and “gunshot residues were removed” before being repatriated to Turkey.

The ship itself had been held in the Israeli port of Ashdod for 66 days, and when handed back to Turkey had been “scrubbed down thoroughly, blood stains completely washed off, bullet holes painted over; ship records, Captain’s log, computer hardware, ship documents seized, CCTV cameras smashed, all photographic footage seized and presumably destroyed or withheld.”

“If you try so hard to hide evidence, it means that psychologically you are under pressure, that you committed something,” said the senior ministry official.

He also echoed the conclusion of the Turkish report, that Israeli forces had a number of nonlethal ways of stopping the Mavi Marmara, but chose not to use them.

“Israel prepared for a combat operation and refused to deviate from this strategy,” the Turkish report stated. “The tragic truth is that civilian casualty [sic] could have been avoided if Israel had sought [an] alternative non-violent plan of action.”

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(TEXT 4)

NEW YORK TIMES

February 10, 2011

Europe's Foreign Policy Chief, Struggling for Mandate, Faces Criticism on Uprisings

By [STEVEN ERLANGER](#)

PARIS — After President [Hosni Mubarak](#) of [Egypt](#) refused to step down on Thursday night, infuriating demonstrators in his country, the [European Union](#)'s foreign policy chief, [Catherine Ashton](#), issued a sharp statement saying that “the time for change is now” and that Mr. Mubarak “has not yet opened the way to faster and deeper reforms.”

Her rapid response was a marked change from the past few weeks, when she has been increasingly criticized as being painfully slow to respond to the crisis in Egypt and elsewhere, and as simply following an American script that has shifted several times with the flow of events.

It has been very difficult for Ms. Ashton, whose job was created in December 2009 by the Lisbon Treaty, to get ahead of the curve.

She must maneuver among the 27 member states — all with their own foreign ministers — as well as the European Union bureaucracy and the [European Commission](#), run by [José Manuel Barroso](#), who has foreign policy aspirations of his own. She is still struggling to build a staff and a new European diplomatic corps, and she must cobble together money and agreed positions from all the members.

Still, there is growing unease that she has not been forceful enough in front of Europe's nation-states on breaking world events like those in the Middle East and North Africa. There is also concern that she has not traveled quickly enough to trouble spots, and that she has been too reluctant to get her message out through the news media.

The British foreign secretary, [William Hague](#), has just been to Tunisia to meet the new interim government there, before traveling to other Arab countries feeling the spasms of democratic change. The American assistant secretary of state for Near Eastern Affairs, Jeffrey D. Feltman, arrived in Tunisia on Jan. 24, only 10 days after the overthrow of the president, to try to aid the country's political transition.

Ms. Ashton, however, is still planning a trip to Tunisia. She will go in the next week or so, her aides say, pointing out that she met the acting Tunisian foreign minister, Ahmed Ounaies, in Brussels on Feb. 2, just before he visited Paris.

The contrast is telling, and it is a measure of the confusion that still surrounds Ms. Ashton, her new job and its responsibilities. On Jan. 29, to her embarrassment, the leaders of the most influential nations in the

European Union — Germany, France and Britain — issued a statement calling for free and fair elections in Egypt in advance of a European foreign ministers’ meeting set for two days later, at which Ms. Ashton was scheduled to try to find a European consensus. Even the statement on Jan. 29 followed an American lead.

Ms. Ashton’s spokesman, Darren Ennis, says the criticism is unfair. “It’s apples and pears when you compare the U.S. and the E.U.,” he said in an interview. “She works on behalf of the E.U. 27, and she gets her mandate from the 27 and she must keep the line of the 27.”

A senior aide to Ms. Ashton said that a clear European mandate was hard to achieve, with Prime Minister [Silvio Berlusconi](#) of Italy “saying Mubarak is great, France saying you can’t talk of free and fair elections now, and others saying you can’t tell Egyptians what to do.” Ms. Ashton “doesn’t have the mandate to say, ‘Mubarak should do this or that,’ ” said the aide, who spoke anonymously to discuss internal deliberations.

“They want her to be [Hillary Clinton](#), and that’s what she tries to be and wants to be,” the aide said. “But the states have to give her the tools and the mandate. If they want her to be the Hillary Clinton of Europe, give her the power.”

Part of Ms. Ashton’s problem is exactly that: the member states do not want to give her the power. They do not really want a European foreign minister, and they are not sure she is up to the job, said Philip Stephens, a columnist for The Financial Times.

François Heisbourg of the [Foundation for Strategic Research](#) in Paris described a recent meeting of European ambassadors trying to draft a joint statement on Tunisia. There was no consensus, so they did the usual thing and said, “Some states expressed the view that,” he said. “Then someone said, ‘No, a small number of states expressed the view that...’ ” he said. “And then someone from the council exploded, ‘You can’t continue like this!’ ”

In person, Ms. Ashton is straightforward and witty, and Mrs. Clinton has gone out of her way to praise her and their relationship. At the Munich Security Conference last weekend, she called Ms. Ashton “an irreplaceable partner,” and said that “strategic partnership between the E.U. and the U.S. has never been stronger.”

But even as she spoke, both the German defense minister, Karl-Theodor zu Guttenberg, and the [NATO](#) secretary general, [Anders Fogh Rasmussen](#), said that Europe risked becoming “a paper tiger” and nearly useless to the United States unless European nations stopped cutting defense spending and started cooperating on arms acquisitions.

There is a growing sense that Ms. Ashton needs to fill out her staff and step up her game if she is going to make her difficult job a success.

[Angela Merkel](#), the German chancellor, seemed to acknowledge a problem when Mr. Heisbourg asked why the European Union reaction to events in the Middle East and North Africa had been so “slow and stiff,” and whether the group should reassess its structures.

“Lady Ashton has been in the job a year,” Mrs. Merkel said. “We have to strengthen her. It’s not easy. We all like our own foreign policies. But we need to have a visible face that represents us. And it’s up to us to strengthen her position.”

But Mrs. Merkel did not indicate any particular willingness to do so.

The British prime minister, [David Cameron](#), blanched at the idea of new structures. “Please no new structures!” he said. “What we need in Europe is political will, not more processes!”

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TEXT 5

Germany – the new mini-superpower

As its economic clout rises, Germany sheds its postwar identity, becoming more assertive in Europe and the world.



(Reuters photo/John Kehe illustration)

By [Robert Marquand](#), / Staff writer
posted January 30, 2011 at 1:09 pm EST

Berlin and Chemnitz, Germany —

promotion

Quietly at first but less so now, Germany is breaking out of its postwar identity – the assumptions and understandings that held it in place for 60 years. Germany is shedding the past, busting old taboos and being more assertive. What an evolving Germany will look like in 20 or even five years is unclear, but will have profound consequences for Europe and the West. Much of the recent breakout is due to a rising German industrial base achieved by elbow grease, niche market savvy, and, as is often said here, by "doing our homework."

Germans have looked around lately to find they have the preeminent world-class export economy in Europe. No one else comes close. German precision tools are coveted in Asia and Russia like Fabergé eggs. Germany is building much of the Summer Olympic and World Cup facilities in Brazil. The next generation of Eurostar trains linking the Continent and Britain will be made by Siemens of Germany, not, as they traditionally have been, by Alstom of France – a blow to French pride.

Postwar ideals and institutions that bound Germany into Europe – Yalta, European Union integration, NATO and transatlantic solidarity, the Franco-German alliance – are still visible. But they are less central

to Berlin as time moves on. New generations of Germans read about Auschwitz as ancient history, and kids in Berlin schoolyards play with Russian children. Old taboos about patriotism and flag-waving are waning. Germany appears a more "normal nation."

On some fundamental level, Germany's emotional postwar binding with Europe and America is giving way to a new "realism." A reunified Germany is talking openly about its own interests and not subordinating them to EU interests. It now talks, for example, about protecting its trade routes. That's certainly not unfair – it's just new.

"Germany feels Europe is holding it back and that it increasingly wants to go global alone – faster, further, and better," says Ulrike Guérot, director of the European Council on Foreign Relations in Berlin. "There is a gap between the old rhetoric and the new reality."

A decisive moment in the breakout was the Greek financial crisis last spring. German Chancellor Angela Merkel waited 10 days before agreeing to jointly rescue Greece and the euro. Germany subsequently has pushed new rules and realities for the EU, decided mostly in Berlin, as a price for help.

"NATO and EU integration was the model," says John Kornblum, a former US ambassador to Germany who is now a corporate lawyer in Berlin. "The model is now disappearing and that makes people nervous. We are at the end of a postwar European romance about Europe. Germany doesn't want to pay for the romance anymore."

Germany's new global strategy seeks markets and relations in every direction – from Brazil and China to Vietnam and India. France no longer exercises its capacity to "run Europe" but has become a kind of shadow partner of Berlin. Even the city of Berlin, with its bohemian nightclubs and vibrant arts community, has become a hip urban center – what some here consider the new Paris of Europe.

Germany makes no secret that it desires greater stability between Berlin, Poland, and Moscow. A new amity along the old Weimar corridor would signify a breathtaking change.

"The German-Polish and German-Russian policy planning staffs are in high gear," says a Scandinavian diplomat in Berlin. "It isn't just icing on the cake. It is a new cake. Germany is absolutely changing. It is breaking taboos. It is not going back to a cold-war identity."

THREE HOURS SOUTH of Berlin, tucked in an industrial park off a major highway near Dresden, lies the new headquarters of Roth & Rau, a solar technology exporter. It exemplifies what's driving the New Germany.

Three physicists from the Chemnitz University of Technology started the firm in the late 1990s after tiring of waiting for their former East bloc school to restructure. So they broke out. In 2000 they put together 40 workers and \$3 million in sales. Today the firm employs 1,100 and does nearly \$300 million in sales, mostly to Asia. Their glass-paneled headquarters, sitting on a hill with a vista of rolling terrain, looks like a modern Oz, something out of Silicon Valley rather than the former rusty East.

Typically, and crucially, what the Roth & Rau physicists found was a niche. They don't make solar panels. They went far narrower: They've refined the coating requisite for the silicon wafers in solar panels, and developed it into a conductive film that gets 16 percent more electricity out of the transaction between sun and panel. Chinese firms are enamored of the process (a delegation was on the factory floor as I toured operations), and Roth & Rau spiked exports to the Middle Kingdom by 75 percent last year.

The company's approach to business, and the world, helps explain Germany's rise as a 21st-century economic power. It isn't so much that Roth & Rau are dealing in an industry of tomorrow, though that doesn't hurt. It's the way the firm is doing it.

Overall, Germany spent \$120 billion a year in the 1990s to unify the country and rebuild its infrastructure, training its sights on the global marketplace. That helped it pull away from the rest of the EU. Forty percent of Germany's exports now go to the so-called BRIC countries (Brazil, Russia, India, and China). The closest EU competitor ships less than 10 percent. German machine-tool exports alone spiked 128 percent between 2009 and 2010. The unemployment rate in Germany hit an 18-year low last fall – 7.5 percent.

The top exports of the new German economy are cars, chemicals, and machine tools. The Volkswagen factory in Wolfsburg, for instance, is openly setting out to beat Toyota.

Yet at the heart of the country's resurgence is something called the *Mittelstand*, of which Roth & Rau is an archetype. These are the more than 1,500 small- and medium-sized firms spread across the countryside that produce high-end niche products – from tools to sonar to precision parts for race cars. The *Mittelstand* account for more than half of German exports and 70 percent of its workforce.

Mittelstand characteristics are unique. Many, like Roth & Rau, are or were family owned. They operate on "old-fashioned" values of worker loyalty and core competency. When successful, they usually don't sell off: They plow profits back into the firm. They keep their production and quality control local. Mont Blanc pens, for instance, are sent around the world but produced in German plants.

"The Germans took seriously the idea that global competition will come from the BRICs, and they set about engineering a response," says a Western diplomat. "They started to make things; that's what they do."

The Roth & Rau brain trust, for example, decided early on that it would not sell coated solar wafers as an end product. What the company sells are the machines that make the coating process, and, equally important, the know-how to make the machines work. "We built this out of our former lives," says Silvia Roth, vice president of operations. "It was the right product at the right time – but we have to keep the gap with the Chinese."

By "keeping the gap," Ms. Roth means something central to the firm's survival and typical of the world-beating *mittelstand* culture. At Roth & Rau, everyone knows the machines they sell to China will be copied. They can't do anything about it. But they also know duplicating the precision-coating process isn't easy, and this has given them an estimated five-year jump on Chinese capability.

"China's strategy is to dominate solar," says Roth, who is something of a pioneer in solar R&D. "They want to be No. 1, and they may be able to, which is why we continue to evolve and develop."

To stay ahead, the company makes the sale of training and technology as important as hardware. It recently invested \$10 million to develop a single device that combines the dozen steps in the wafer-coating process.

Innovation remains a central part of the firm's ethos, too. Since some breakthroughs in 2002, there's been no improvement in the science of silicon coatings – just advances in the efficiency of production. "But we think we are on the verge of a breakthrough," says Roth, citing a technology that they believe will boost the efficiency of solar panels from 16 percent to 20 percent.

Significantly, *mittelstand* firms create special relations between employer and employee, which helped them weather the recent economic crisis. Most *Mittelstand* did not lay off workers but simply reduced their hours. Workers didn't demand higher pay in exchange for stability and job security.

Worker loyalty and morale are central to the German approach. Roth & Rau operates a gym and a kindergarten on site for employees. Some senior managers teach physics classes at night, which helps

them spot future talent. "We think in long-term relationships and that is different than hiring managers and workers that come and go," says Roth. "You can waste a lot of time fighting employees and never motivate them to do the 5 percent extra that makes the company most competitive."

Germany's concerted effort to build a panoply of world-competitive firms is one reason the public here has objected so strongly to bailouts of other EU nations, notably Greece and possibly Portugal. Germans value hard work and sacrifice, and they have little patience with those who they feel don't share the same ethic.

"We put a lot of pressure on ourselves to do our homework," says a senior German economic official. "We expect others to do their homework as well, and when they don't, it doesn't sit well here.... German products are high quality and competitive, and we have a strong industrial base in contrast with the British, and increasingly the US, which have moved to service."

But this thinking worries some smaller EU states and others who feel that Germany, as it rises out of the terra firma of Europe, will increasingly pursue its own self-interest and become more autonomous. Ms. Guérot notes that "history is no longer the clamp that holds Germany to NATO and the EU. The new generations see it differently."

To be sure, from the German perspective, the road ahead is not strewn with rose petals. Some German economists predict a "golden decade." But 75 percent of German workers haven't seen a substantial pay increase in many years. The Organization for Economic Cooperation and Development reports a shortage of labor in a workforce that is rapidly aging. Germans also worry that their export boom to Asia will eventually wane.

"We are a self-occupied giant," says Alexander Ritzmann, a former Berlin politician now with the European Foundation for Democracy. "There is a complete disconnect between the way others see Germany and how Germans see it. We always hear how well we are doing. For us, we are in crisis."

This lingering sense of insecurity is one of the forces motivating Germany economically and politically today. "Germans need a crisis to get their juices flowing," says a US executive in Berlin. "They have an incredible need to stay strong and keep stable. The Germans may be proud of their newfound confidence, but they may have difficulty expressing this in a way easy for others to take."

Certainly it hasn't been easy for some members of the EU to take. As Germany's economic clout has grown, so has its assertiveness in Europe – often abruptly and without the proper Dale Carnegie consultation. During the Greek fiscal crisis last year, Germany was initially hesitant to agree to any rescues. In May, Chancellor Merkel finally relented, amid panic for the euro, and signed on to a \$1 trillion bailout fund.

Then last fall Merkel decided, along with France, to create a permanent bailout fund – one with specific conditions that may have eroded the financial position of Ireland, and possibly Portugal and Spain, by resulting in costlier debt repayments. More recently, Merkel opposed plans for a bigger bailout fund as well as the creation of euro bonds.

Underneath it all is the view that Germany is European enough already – and the fear that it will become the checkbook of Europe.

WHEN THE BERLIN WALL came down in 1989, the center of European gravity steadily shifted from the Franco-German Rhine to the middle of Europe. The rebuilt capital of Berlin is the powerful symbol unlinking Germany from its previous seat of power, Bonn, what novelist John le Carré termed "a small town in Germany." Any talk of a New Germany "has to start with Berlin," says Hans Stark, a professor at Sciences Po, a top French graduate school.

Few European capitals had a chance at rebirth late in the 20th century. But Berlin – bristling with building cranes in the 1990s – has. Unlike France with Paris, or Britain with London, Germany is not a one-city country. Berlin is Germany's intellectual and government capital, but not the commercial or industrial capital (Frankfurt and Munich, respectively).

That gives rebuilt Berlin something of an open and unfinished air. It's been compared to a combination of Boston and Washington. Social hierarchies here are newer than in traditional capitals of old Europe. You can wear your jeans to the opera. Apartments are huge by European standards, and cheap. Food is also inexpensive.

Yet for all the scrubbing and shine, Berlin is a city where 1 out of 5 inhabitants is on welfare. The German capital is poorer than the nation it oversees.

Low costs have made the city a magnet for artists and writers. By some estimates, more than 65,000 artists reside here. It is also an unofficial playground for the under-30 "globorati" who fly in on cheap flights from Barcelona, Spain, and Rome.

The city evokes an air of liberal tolerance and creativity. The 2009 winner of the prestigious French literary Goncourt Prize, Marie Ndiaye, moved here from what she called a "morose" Paris. Concerts, symposiums, debates, and lectures abound.

In a symbol of Berlin's rise, Suhrkamp Verlag, Germany's most influential publisher, relocated here from Frankfurt last January. The house is synonymous with the intellectual history of postwar Germany. In his spacious office, Suhrkamp director Thomas Sparr pulls out an invitation to an evening tribute to Mario Vargas Llosa, the Peruvian writer and Nobel laureate, that he is attending, and explains the firm's controversial decision to move.

"Berlin has become the cultural capital of Germany," he says. "It is the leading city in Europe and perhaps in the world. It is becoming what Paris was in the '50s and New York was in the '80s."

He adds, "Having said that, geography doesn't solve every problem."

The change here is palpable. Berlin may soon have its first Green Party mayor. Later in 2011 it will open a new airport. Work is beginning on rebuilding the imperial palace of the Hohenzollern family, heart of the German-Prussian empires.

Across the street from the site, the Berlin German Historical Museum is showing, without much open advertising, the first official exhibition of Adolf Hitler. It examines both the arguments Hitler used in his rise to prominence and the German people's response. It is an account of the "personalization of power" and of public complicity.

Peter Blankenburg, a high school teacher near Hamburg, says it shows "how the cultural institutions of power overwhelmed the German mind. We were seduced." But he adds that history teaching in his school still doesn't deal clearly enough with the war, and he notes that the 1930s in Europe is "a world so different" that it sometimes flies over students' heads. "We get to how Hitler came to power, but it is handled too quickly," he says. "The other problem is that my kids don't read anymore."

Elsewhere downtown, pizza and currywurst cafes are full. A roast dinner costs \$12; in Paris it would be twice that. Neighborhoods are lively – someone is always playing a guitar.

Aldo Pasquini, age 28, travels from Milan, Italy, to Berlin every other month to stay with friends. He hangs out at a disco in a converted warehouse where DJs play music on three floors. "I have friends here," he says. "And there are things to do."

WHILE GERMANY'S export economy is rising, it is being built on a declining ethnic German population. That has created a new crisis. Germany needs immigrants for skilled labor, but the issue has spurred something of a backlash.

Just how sensitive immigration has become was evident last fall when Thilo Sarrazin, now a former board member of Germany's central bank, released a book, "Germany Does Away With Itself." It was an elaboration on his statement last year that Turks and Arabs are "neither willing to integrate nor capable of it." He also reiterated his belief that Turks and Kurds are genetically predisposed to lower intelligence.

German elites were angered, and Mr. Sarrazin was forced to resign his position at the bank. But the million-plus sales and other studies showing a rise in antiforeign and nationalist sentiment indicated he struck a chord. Depending on your view, it was either a dangerous airing of resentment over immigrants and Islam – or the first open national discussion on a taboo subject.

"The issue is an emotional volcano that sometimes breaks out," says Mr. Ritzmann. "People get scared when there's uncertainty."

"We need immigrants!" argues one official. "This isn't an issue. We have an aging population without a lot of natural resources. It is in our self-interest."

In fact, Germany officially became an "immigrant society" four years ago. It passed a law decreeing that citizenship no longer meant you had to have "German blood." It was a huge change.

But the law didn't eliminate antiforeign sentiment or a deep sense that "being German" means something. "Germany is cautiously moving in the right direction, but there is still a lot of animosity and outright hate," says Deidre Berger of the American Jewish Committee office in Berlin. "You can't change attitudes that quickly in a relatively homogenous society."

Today about a fifth of Germany's 82 million people are nonethnic Germans. The Turkish population in 1970 was approximately 500,000 and today numbers more than 3.5 million. The former guest workers or Gastarbeiter from Turkey, who often do menial labor such as cleaning streets or who own convenience stores, are now second- and third-generation Germans. Cem Özdemir, coleader of the Green Party, is of Turkish heritage. In 20 years, the German workforce will decline from 44 million to 35 million, estimates the Economics Ministry.

In Berlin's north Neukölln district, 90 percent of the schoolchildren come from immigrant families. The district is 40 percent ethnic. Conditions are more run-down, the street tone brusque and gritty, though Middle Eastern cafes and African hair salons colorfully share space with Dunkin' Donuts.

The area has been a cultural battleground over integration. About half the children of Neukölln need remedial help to enter German schools. Welfare rates are high, graduation rates low. Neukölln is the current media example here for the "parallel society" that many Germans are irritated by, if not afraid of, and that Sarrazin depicts as a possible future.

The term "parallel society" itself was coined by the mayor of Neukölln, Heinz Buschkowsky. The mayor comes from the political left but has become something of a guru on integration for many Germans of all political stripes. A rotund and flamboyant figure, he broke taboos by openly talking about immigrants who refuse to learn about Europe and who freeload. But he's also lauded for floating tough-love, zero-tolerance solutions on crime and education that are seen as caring, and for going to the streets to study various Muslim sects.

He created a model neighborhood-school collaborative in 2006 out of an educational institution so violent its teachers all quit. He talks about blocking social funds for parents who let their kids skip school. He advocates quick prosecutions on crime.

One German artist involved in a circle of volunteers for Neukölln families says the new German straight talk on immigrants has created some mainstream resentment. "The stereotype is that the kids sit on the street, the parents sit at home," the artist says. "The parents don't supervise the kids and are indifferent to the school system. Teachers try to be in contact but parents don't respond. They collect welfare. Meanwhile, everyone in the family seems to have the latest iPod, the latest flat-screen TV, the most expensive high-tech gear – and how is this?"

Merkel, in the middle of the Sarrazin debate last fall, announced that "multiculturalism" had failed in Germany. She was criticized for playing to the polls. In fact, the term "multiculturalism" had been abandoned years earlier (it was designed to counter the word "assimilation") and replaced by "integration."

Many experts feel German integration is actually going well. Ritzmann says one problem is the German media. "Honor killings, head scarves, forced marriages – that's 90 percent of what you hear in the media, which always plays Islam as a sensation," he says. "We don't write that 3.5 million Muslims got up, went to work, their kids went to school, got along with everyone, worked hard, and had supper with their families."

Europe's direction in the coming decade is likely to be decided by Germany, in Berlin. In the postwar era of grainy black-and-white photos of Berlin swathed in barbed wire, Europe was famously decided by French diplomacy and German brawn. The reunification of Germany has changed all that.

Paris's postwar dream of embedding Germany in a European community is diminishing: The Soviet Union's claim to universal truth and history ended, capitalism is the world model, English is the de facto language, and the ability of the French bureaucracy to run Europe is waning.

The German "special relationship" with Russia concerns many European states, including France. Germany's eastward drift is something conceived in Berlin and, others complain, without a lot of consultation. German commitment to NATO is repeated, but less ardently.

Merkel's model of a Europe of nation-states, not a "community of nations" as she recently put it, is the emerging German idea. As a fiscal union, the German concept is also different.

"The Germans aren't particularly Keynesian," says Charles Grant, director of the Center for European Reform, a London-based think tank. "They want to save and build, cut budgets, force austerity. The problem is how do states that are already immobilized cut their way to growth? Having said that, German elites are still committed to Europe. But they feel misunderstood right now as others in Europe complain."

Whether Merkel's Germany is simply changing the model and habits of Europe, or is drifting away, is a question the best and brightest theorize about. Much of Merkel's explanation for her behavior, whether on immigration or fiscal rules, is based on what Mr. Grant calls "public opinion" in Germany. Yet public opinion is not created in a vacuum.

"Merkel has not succeeded in showing she is an EU leader, even the head of Europe," says a German official in the Green Party. "She has focused on German national interests. When is the last time she gave a grand speech showing the benefits of Europe to Germany and the Germans?"

One analyst in Berlin likens the situation to a schoolroom where one student, Germany, is the star pupil and always raises her hand with the right answer. "Eventually, the other students start to hate that person."

"Germany now feels it always has the right answer," the analyst adds. "But what is good for Germany is not necessarily good for the rest of Europe. Not everyone can be German."

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TEXT 6

latimes.com

Editorial

Stick to the Afghanistan deadline

The Obama administration appears to be hedging on its troop withdrawal timeline. That's a mistake.

January 16, 2011

Vice President [Joe Biden](#), contradicting his previous assertion that U.S. troops would be out of Afghanistan in 2014 "come hell or high water," said during a visit to Afghanistan last week that the United States might maintain a presence there beyond that date. It's the latest indication that the Obama administration is moving the goalpost for U.S. withdrawal. With a rising American death toll — 499 last year — this continual prolonging of the war is unconscionable.

In 2009, when he announced his decision to send 30,000 more troops to Afghanistan, President Obama said that the withdrawal of U.S. forces would begin in July of this year. But it is increasingly doubtful that the initial withdrawal will be a significant one. The administration's review of policy in Afghanistan and Pakistan last month said that the July withdrawal would be "responsible" and "conditions-based." Meanwhile, NATO and the United States, in deference to President Hamid Karzai, have set 2014 as the deadline for turning over all security responsibilities in Afghanistan. Yet even that deadline, as Biden's remarks indicated, is a soft one. The administration's review refers to "NATO's enduring commitment beyond 2014."

The shifting timeline is extremely distressing. When Obama sent the 30,000 additional troops — raising the force level to almost 100,000 — the expectation was that the buildup would produce a meaningful improvement in the effort to rout the Taliban and Al Qaeda and help establish a more stable government in Kabul.

But by the administration's own testimony, achievement of those goals is still in question. The December review concludes that the troop buildup "has reduced overall Taliban influence" but acknowledges that "these gains remain fragile and reversible." (It's equally cautious in claiming success for efforts in Pakistan to dismantle Al Qaeda, warning that defeating the terrorist group "will require the sustained denial of the group's safe haven in the tribal areas of western Pakistan.")

One doesn't have to look far for an explanation for the limited progress. The weak Karzai government continues to lose support among the Afghan people, partly because of rampant corruption. Afghan security forces remain unequal to subduing a resurgent Taliban.

Pakistan, meanwhile, continues to play a double game, assisting the United States in combating extremist groups but only up to a point. Some in the government's security apparatus seem to consider militants

within Pakistan's borders a strategic asset.

After nine years of American military involvement in Afghanistan, these are disappointing returns on an enormous investment of lives and dollars. The Times has been reluctant to call for an immediate or even a quick withdrawal from Afghanistan, and we recognize that the president's advisors — from Petraeus on down — have spent considerable time thinking about how to withdraw without jeopardizing painfully achieved gains.

Still, we worry that the administration's more ambitious goals — a credible government in Afghanistan, the permanent defeat of the Taliban — may prove elusive even after three more years of military involvement, let alone a presence beyond that. We hope that isn't the case, but regardless of what happens, the United States and NATO should take their own deadlines seriously. That means a significant withdrawal this year and an unambiguous completion of the mission in 2014. Biden was right the first time.

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TEXT 7

[The Huffington Post](#) FEBRUARY 21, 2011

Joshua W. Walker

Postdoctoral Fellow, Crown Center for Middle Eastern Studies at Brandeis University

Posted: February 15, 2011 04:32 PM

Turkish Lessons, if Any, for Egypt

With the overthrow of Egyptian president Hosni Mubarak on Friday after thirty years in power, it appears increasingly likely that the long-outlawed Muslim Brotherhood will gain political clout in whatever new government emerges in Cairo.

The Brotherhood, suppressed under Mubarak, advocates an "Islamist" agenda, which has alarmed some American analysts worried about the possibility of Egypt turning into a new Iran. But others have argued that the danger posed by the Brotherhood is exaggerated and point to Turkey, where a conservative Muslim party has been in power since 2002, as proof that an Islamic religious movement can coexist with democracy in the Middle East.

Indeed, Turkey has been cited by many as a model for the whole Arab world as it seeks to cope with the demands of greater democratization, economic prosperity, and political representation.

But comparisons to Turkey should be approached with caution. Despite their superficial similarities, the Muslim Brotherhood and Turkey's Justice and Development Party (AKP) have little in common, Egypt and Turkey represent different political traditions, and the shape of any possible government in Cairo is unlikely to look much like that in Ankara. The Muslim Brotherhood doesn't look to Turkey for inspiration -- and neither should secularists worried about how to contain them.

The first lesson to internalize is that the AKP, despite rhetoric that to some Western ears may sound similar to the Brotherhood's, is a far cry from more hard-line groups in the region. The

Turkish political vocabulary simply does not provide for such concepts as sharia to advance an "Islamist" political agenda, as promoted by groups such as the Brotherhood.

Turkey's geo-political traditions also offer checks on extremism that differ from Egypt's. As the former imperial head of the Middle East, Turkey inherited a legacy of strong institutions personified by the highly visible role of the military. Turkey is also a member of NATO, and has had a privileged geo-strategic value to the West that provides a moderating influence.

Turkey, unlike Egypt, also has accommodated Islamist groups for decades, which has produced a tradition of Islamic parties playing by the rules that simply does not exist in Egypt. Turkey has experienced four military coups, but since the 1950s has been a multi-party democracy where the military chose to exert its power behind the scenes and allow more conservative Muslim parties to compete as long as civilian politicians abided by the constitutions the military wrote. Attempts to discredit and ban political parties that advocate an explicitly Islamist agenda has kept the AKP committed to Turkey's secular rules of the political game, and is largely why they have been so successful. The AKP have won every election since its emergence in 2002 as a religious conservative party, whereas the Brotherhood has never played in or by the rules in Egypt -- in part because Egyptian authorities moved so aggressively against Islamist parties, leaving them no place in the system.

Because it must compete, the AKP also speaks to Turks across a much wider range of issues. Today the AKP speaks for a large portion of the Turkish voters who want to see changes made in the approach and character of both their Republic and its international relations toward the West and Israel. With a majority of the Turkish parliament and municipal administrations controlled by the AKP since 2002, the very structure of the secular Turkish Republic is beginning to change. Not through a radical revolution, but rather through an incremental and technical process mandated by the Turkish constitution, something the Brotherhood has never been a part of in Egypt. The AKP draws its strength from its pragmatism not its ideology, a lesson that is often overlooked in the contentious debates about Turkey's "turn to the East."

With the fastest growing and largest economy in the Middle East, Turkey is uniquely placed to play a decisive role in providing incentives for the newly transformed governments and movements of the region. As a longtime ally of the West and new partner of the Middle East, Turkey has been seeking the role of mediator in every available arena including Egypt, Lebanon, and Tunisia. The AKP has been hosting delegations from Hamas, Hezbollah, and the Muslim Brotherhood since its arrival to power in Ankara and has boasted of its moderating effect. This is something Egypt is nowhere close to doing and on which the Muslim Brotherhood has shown little interest given their dogmatic ideological stance.

At the end of the day, the AKP is a uniquely Turkish phenomenon unlikely to be repeated. Turkey did not transform itself from a defeated post-Ottoman state led by Ataturk's military to a flourishing market-democracy overnight -- it has been almost a century in the making. Before pundits turn Turkey into a role model for the post-Mubarak Egypt, we should have a better understanding of the very different contexts in which they have arisen.

Joshua W. Walker is a post-doctoral fellow at the Crown Center at Brandeis University and a research fellow at the Belfer Center at Harvard's Kennedy School of Government.



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Turkey offers Egypt a way forward

By *Nichole Sobecki*
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Turkey offers Egypt a way forward

Nichole Sobecki [2] February 5, 2011 09:33 Updated February 5, 2011 09:33
Erdogan tells Mubarak to step down, offering Turkey's own political model as a way forward.
Nichole Sobecki

ISTANBUL, Turkey — As hundreds of thousands of protesters rallied in Cairo's Tahrir Square, Turkish Prime Minister Recep Tayyip Erdogan called on Egyptian President Hosni Mubarak to give his people the change they have been calling for.

"No government can cast aside the people's demands for democracy," Erdogan said on Feb. 2, breaking Ankara's conspicuous silence on the unrest in Egypt. He later called for an end to Mubarak's three-decade rule.

"This is the expectation of people. I think this process should start, and its road map and schedule should be announced," Erdogan said the next day.

With anti-government protests transforming the region's political backbone, the man some call the Middle East's most popular leader is offering Egypt a way forward — another sign of Turkey's growing stature, which is partially a result of its success in balancing religion and politics.

It is this model, analysts say, that could provide a compass for Egypt to follow.

An overwhelmingly Muslim country with a democratically elected government, many are pointing to Turkey's political system as a potential guide for not only Egypt, but for all of the region's countries that are in the midst of revolts, and which might soon need a new template for their own political structures.

"The people on the streets of Egypt are clamoring, not for an Islamic republic, but for a fair deal and equal opportunities," said Semih Idiz, a columnist for the Milliyet newspaper. "And Turkey is a key regional model."

Speaking with the confidence of a popular leader, Erdogan told Egyptians that their political problems could only be solved through democracy. "If there is a problem, the place for solution is the ballot box," he said.

Erdogan's speech, one of the most vigorous intercessions made by a leader from this region since the protests began, reflects how much Turkey's influence in the Arab world has grown since the Islam-rooted Justice and Development Party (AKP) took power in 2002.

The AKP has since won a second election and, with approval ratings high, are poised to win a third this summer.

Despite his country's tacit alliance with the United States and other western countries, Erdogan's Islamic background, tough-guy appeal and fondness for telling off Israel, has swelled his profile across the Arab world.

Ilter Turan, a professor of international relations at Istanbul's Bilgi University, said Turkey is perfectly situated to help Egypt with a political transition after the dust settles on the streets of Cairo.

"If some international assistance is to be offered to countries in need, I think Turkey's assistance would be accepted more willingly and with less suspicion than others," he said, pointing to Erdogan's popularity.

This wasn't always the case. Regional governments once viewed Turkey's secularism with disdain. But with the rise of Erdogan's Islam-based political party, coupled with its excoriations of Israel, its defense of the Gaza-bound aid flotillas and its antics at the World Economic Forum in Davos, Switzerland in 2009, regional leaders have begun to respect — or at least listen to — Turkey's prime minister.

Seizing on his newfound prestige, Erdogan has wasted no time in positioning Turkey as a regional leader who can help see the Middle East through to the other side.

"For ages, the Middle East has been the cradle of civilizations," Erdogan said in Tuesday's address. "But during the last century ... it has become associated with wars, conflicts, blood, tears, poverty, corruption, ignorance and violations of human rights."

As unrest spreads from Tunisia to Egypt to Jordan, Lebanon, Syria, Yemen and elsewhere, a new regional order, and a new power structure, is beginning to emerge. And it is Turkey that hopes emerge on top of it all.

Sat, 2011-02-05 09:33



[3]

Turkish Prime Minister Tayyip Erdogan addresses on Feb 1, 2011 lawmakers and supporters of his Justice and Development Party in Ankara. Erdogan urged Egyptian President Hosni Mubarak on Feb. 1 to meet his people's "desire for change." (Adem Altan/AFP/Getty Images)

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TEXT 9

Oxford Analytica versus Turkish democracy

Last week the US ambassador to Turkey created havoc when he directly commented on a legal case and declared that he was confused about freedom of the press in Turkey. The case in point concerns the infamous Ergenekon terrorist organization and journalist Soner Yalçın, who has been charged for being a member of the organization.

Based on the evidence presented to it, a court has jailed Mr. Yalçın pending trial. I am sure that within a few months we will be able to read the indictment and evaluate for ourselves if he is in prison for his journalistic activities or if journalism was a cover for his illegal activities. But some in Turkey, including the US ambassador, have been quick to claim that Mr. Yalçın is innocent and that the Justice and Development Party (AK Party) and the Gülen movement have been unjustly trying to silence the opposition.

I agree that this is a very complicated case that will take at least a few years to resolve. But common sense tells us that neither the Gülen movement nor the AK Party need to silence their opponents. Based on several surveys, it seems that the AK Party is likely to win a third consecutive election this June with an expected landslide of around 50 percent of the vote, while the main opposition party may only get 25-30 percent. And this will happen despite the activities of the opposition of these so-called journalists. Because of their provocative journalism, such as claims that Prime Minister Recep Tayyip Erdoğan and President Abdullah Gül are secretly pushing an Islamist agenda and the Gülen movement is a CIA organization, the people have been increasingly supportive of the party and the movement. Why would they risk their international reputation by trying to silence this already ineffective and ironically "supportive" opposition? The claims about the movement especially are simply funny. The movement operates in more than 130 countries with a discourse of tolerance and it is well aware that in the global village, everybody will learn about their alleged "intolerant" and "oppressive" activities. A case in point is an Oxford Analytica report on Feb. 4 titled "Gülen movement faces

more global scrutiny.”

Oxford Analytica claims that the movement’s “image in Turkey, its country of origin, differs from the one it presents to the outside world.” But, first of all, whose image projection is this? Not only the movement but an overwhelming majority in Turkey see the Ergenekon case as part of democratization and, in the Ergenekon indictments, there are countless pieces of evidence showing that many of those being tried by the court were involved in anti-democratic terrorist activities. Instead of looking at these details and the whole picture, the defenders of the imprisoned want us to look at a few mistakes in the tens of thousands of indictment pages as if these mistakes would simply eradicate the substantial evidence against the coup-plotters and assassins.

Instead of giving Ergenekon suspects a carte blanche and saying that the movement’s support of “the proceedings of the Ergenekon trials, in spite of flaws and inconsistencies in the indictments, has raised doubts about the movement’s attachment to the rule of law,” why doesn’t the Oxford Analytica give us a balanced picture of what really is going on in Turkey and inform its readers that not only the AK Party or the movement but also many non-Muslim Turks, socialists, liberals in Turkey, Eurocrats, many European politicians and so on also support the Ergenekon case? Are these all secret movement participants or naïve AK Party supporters? It seems that Oxford Analytica has a final verdict on the Ergenekon case and knows very well that it is against the law and sees that supporting the case makes one’s attachment to the rule of law dubious.

Second, I do not see why being involved in one’s home country in a democratization fight against some powers that in the past have staged several coups, tortured tens of thousands of people and imprisoned hundreds of thousands of people should contradict one’s intercultural dialogue activities. Do dialogue and tolerance simply mean that one should turn a blind eye to one’s prospective murderers? Instead of talking about rumors, Oxford Analytica should tell us what kind of illegal activities these movement participants, its media outlets and so on have been perpetrating. Instead, what we read is that the movement’s schools have been closed down in Uzbekistan and Russia, as if this proves the so-called controversial nature of the movement.

Moreover, on reading the Oxford Analytica piece on the Dutch case, one would think that the Dutch authorities caught the movement red-handed. The movement has been a victim of the fight between the government and increasingly Islamophobic opposition in the Netherlands. But a recent parliamentary report about the movement underlined that there is nothing wrong with the movement. This is a major incident; however, Oxford Analytica curiously does not mention the report, giving only one side of the story, as it does in the Turkish case.

Oxford Analytica also puts that “Like Opus Dei and the freemasons, the movement does not publish membership rolls or a budget. Nor does it list its activities in the two main fields where it is engaged – education and the media.” But this is an unjustified attack against the movement. First of all, it does not have a central body or hierarchical organization; it is composed of informal loose networks. Second, the affiliated organizations of the movement never hide themselves. Several academic studies simply provide names of the organizations. The content of their websites simply resemble each other and anyone can spot that they are affiliated with the movement.

The UK has been ostensibly supportive of Turkey’s entry into the EU, but so far I have not observed the same enthusiasm from the British authorities and politicians with regards to democratization in Turkey. They simply followed a sort of neocon or Pentagonian, militaristic friendly line on this, maybe hoping that one day authoritarian Kemalists with whom doing business was simpler will return to power. Sweet dreams. One would

expect stronger support for Turkish democracy, but instead we read confusing and fictitious narratives from British think tanks. The majority of Turks would not be surprised.
BY İHSAN YILMAZ, *TODAYS ZAMAN*

TEXT 10



[Lauren Yanks](#)

Writer, Professor, Children's Advocate

Posted: February 13, 2011 05:53 PM

President Clinton Reflects on the Bosnian War and Announces the First Clinton Global Initiative Commitment of 2011

This Wednesday, February 9, I attended an event hosted by President Clinton titled, "America at a Crossroads: The Dayton Accords and the Beginning of 21st Century Diplomacy". The event marked the 15-year anniversary of the Dayton Peace Accords, which ended the war in Bosnia -- a war that claimed over 100,000 lives and displaced 250,000 people.

The first panel featured former Secretary of State Madeleine Albright, General Wesley Clark, and the former ambassador to the Republic of Croatia, Peter Galbraith. Together they analyzed the successes and shortcomings of the Dayton Accords, as well as the role these negotiations played in transforming foreign policy in an increasingly interdependent world.

The second panel, moderated by Christiane Amanpour, involved current leaders from the Balkan region and examined how their societies are moving forward post-war. At the end of the event, President Clinton summed up the discussions with some philosophical challenges.

"The Balkans are both the hopeful and cautionary tale of the modern world," he said. "Everyone needs a sense of identity. We need to be able to define ourselves in boxes which enable us to feel tangible and to draw distinctions, man/woman, white/black...our whole minds work to categorize a blurred reality in the categories, and then humanity repeatedly gets in trouble when the categories become more important than the underlying humanity."

Clinton went on to emphasize the need to step out of our boxes and create a new diplomacy, and hopes that places like Egypt and Sudan might lead the way.

"A non-zero-sum game is one where you can win without someone else losing," said Clinton. "We Americans love zero-sum games, that's the Super Bowl...it's nice for sports, but in the world we're living in, we need more non-zero-sum games."

Clinton then went on to praise the Balkan leaders for the wisdom they gained through the tragedy of the war.

"They have learned enough that they believe that they can share the future, and the only way they win is if it is a non-zero-sum game," he said. "It's the test that faces people everywhere."

Lastly, Clinton proudly announced the first Clinton Global Initiative (CGI) commitment for 2011. Started in 2005, CGI brings together leaders from various fields to help find innovative solutions to the world's most pressing problems. CGI's first commitment for 2011 came from City Year, an organization that unites young people of all backgrounds for a year of service. With the help of the Rockefeller Brothers Fund, City Year has committed to hosting a delegation from Bosnia. The goal is to inspire Bosnia's youth to become involved in shaping the future. They will meet with non-profit and government organizations, as well as with young leaders here in the US.

The Balkan leaders were excited about the commitment and emphasized that the young people in their countries are not concerned about past ethnic tensions and believe everyone should win. This made me think of the fundraiser I attended last Saturday for the New York-based non-profit organization, Children of Tomorrow. One of the speakers, a 12-year-old seventh-grader named Sophia Harmelin, also believes in a non-zero-sum game.

"I decided that for my upcoming bat-mitzvah service project, I would raise funds to help children throughout the world," Sophia said to the typical New York crowd--one filled with people of various races and religions. "I thought, this is my chance to save lives. Thinking beyond expectation, dreams, and religion is the key to living a happy and free life. I like to call this 'The Movement for New Chances'."

The goal of Children of Tomorrow's fundraiser was to help purchase water filters for the people of Pakistan, where the floods have contaminated the water supply and millions of children are vulnerable to cholera, dysentery and other diarrheal diseases.

"What's a better bat-mitzvah project than to help the children of Pakistan?" Sophia asked, unknowingly answering Clinton's call to step out of the box.

Listening to Clinton and reflecting upon Sophia's words, I wondered: Might this coming generation--a generation growing up with the world at its fingertips--help us finally place our common humanity over our individual boxes? Might this generation, at long last, understand that peace ensues when we *all* win?

If President Clinton, numerous Balkan leaders, and a seventh-grader named Sophia are hopeful, well then, so am I.

Text 11

Retooling the U.S. Economy for Growth

If the United States wants to stay competitive in coming years, boosting productivity is the key, finds a new report by McKinsey Global Institute. FP previews the findings exclusively here.

BY BYRON AUGUSTE, JAMES MANYIKA, SCOTT NYQUIST | FEBRUARY 15, 2011

Preview the full findings of the McKinsey Global Institute's study [here](#).

As the United States crawls out of recession, many commentators have wondered out loud whether the economy can ever get back on a path toward healthy growth. In the immediate term, there are concerns about when and from where the next wave of jobs will come. In the long term, some are questioning whether America's best economic days are now behind it. The Barack Obama administration caught the thread of that conversation early and tried to counter naysayers in the January State of the Union address. "The future is ours to win," Obama [told](#) the country, "But to get there, we can't just stand still." Specifically, what's required, the president [explained](#) earlier that month, is to "unlock the productivity" of the American people.

He may be on to something. In a [report](#) released today by McKinsey Global Institute (MGI), McKinsey & Company's business and economics research arm, we find real, tangible ways that the United States can retool its economy for the coming age of global growth -- and productivity is at the heart of this endeavor. In fact, the United States must increase its productivity growth rate by 30 percent or more to sustain historical economic growth rates in coming years. As the labor force ages and economic rivals crop up the world over, boosting the efficiency of every American worker will be vital to staying ahead in the global economic race.

Why is productivity key now? In short, because two other factors are working against the weak economy: Government and individuals are cutting back on spending in order to pay off debts, even as an aging population no longer gives the economy the natural demographic lift it once did. MGI finds that the United States needs to accelerate productivity growth to an average rate not seen since the 1960s if the economy is to return to the rates of GDP growth witnessed over the past 20 years and sustain the gains in living standards to which Americans have become accustomed.

Still skeptics abound on all sides. Some doubt whether productivity can really help return the United States back to economic health. Naysayers argue that the U.S. productivity engine is running out of steam anyway. Others yet worry that productivity is little more than business-speak for job cuts. They point to the period since 2000, during which sectors that saw the largest productivity gains -- computers, electronics, and manufacturing -- also lost jobs. Still others see China's pursuit of higher technology manufacturing as a sign of pending U.S. decline.

The numbers tell a different story, however. Since 1929, the United States has recorded simultaneous increases in both productivity and employment every ten-year rolling period except one, research from the MGI report finds. Even on a rolling annual basis, productivity and jobs have grown in tandem the majority of the time. In anything but the short term, it is a fallacy to suggest that there is a trade-off between productivity and jobs.

One reason is that productivity has two components: efficiency and innovation. Getting new, faster computers or organizing production to minimize waste are examples of the first; building better, higher quality products or creating new services are examples of the second. Both types of productivity gains can lead to higher employment when the savings are put to work elsewhere in the economy. In the 1990s, for

example, the United States saw productivity growth from both efficiency and innovation, and unemployment hovered below 6 percent. This is a broad balance to which it now needs to return.

And productivity growth needs to accelerate. For half a century, increases in both labor supply and productivity contributed almost equally to robust GDP growth of 3.3 percent. Baby boomers and women streamed into the workforce. Now however, the boomers are retiring and female participation appears to have plateaued. Already, in the first decade of the 21st century, productivity gains have contributed 80 percent of total GDP growth compared with 35 percent in the 1970s. If the United States is to continue to enjoy the same levels of GDP growth experienced by previous generations, productivity will have to bear even more of the burden going forward. To compensate for the coming demographic changes, productivity growth will need to accelerate by 34 percent -- to a rate not that hasn't been seen since the 1960s.

This sounds like a daunting challenge, but meeting it is quite possible. Indeed, even with no change in the current business and regulatory environment, U.S. companies can deliver three-quarters of the productivity growth acceleration that the United States needs just by continuing on the path they are on. It is, in fact, partly because of the efficiencies achieved over the past decade -- which strengthened corporate balance sheets through the better use of technology, for example -- that U.S. businesses are well positioned to take advantage of future opportunities to boost productivity now.

One of those opportunities is for companies to simply adopt the existing best practices of their more productive peers. Many, but not all, U.S. businesses have incorporated information technology and lean management strategies into their operations. Broadening their use would yield one-quarter of the productivity growth acceleration that the United States needs. Even in sectors such as retail, where U.S. businesses have had a strong record on productivity, there is scope to do more, for instance by taking lean practices from the stockroom to the storefront. Health care, most of which faces limited price competition and hence is scarcely encouraged toward efficient practice, has only begun to go lean. Today, nurses still spend less than 40 percent of their time with patients and much of the rest on paperwork.

Companies could deliver another half of the needed productivity acceleration by tapping into the next wave of innovation. For instance, retailers who have made great strides in boosting the efficiency of their supply chains can now manage them even more precisely using a cheaper tracking technology called radiofrequency identification, or RFID. Increasing responsiveness to customers is another way of boosting productivity. The financial industry, for example, is looking at ways to provide a new set of customers -- those who don't currently have a bank -- with financial services such as pre-paid payment cards specifically tailored to their needs. Businesses can also boost productivity by innovating in what and how they provide goods and services to their customers. For example, an office supply company can offer comprehensive procurement services in addition to stocking the paper and pens.

The private sector can get the United States three-quarters of the way on productivity, but to obtain the last one-quarter -- and potentially boost productivity growth by even more -- government and business have some work to do together in removing economic barriers to growth. Efficient infrastructure is an important enabler for business, yet the quality of U.S. infrastructure is ranked only 23rd in the world, below Germany, South Korea, and even Oman. Skills are another necessary ingredient; The United States faces a shortfall of almost 2 million technical and analytical workers and a shortage of several hundred thousand nurses and as many as 100,000 physicians over the next 10 years. Making it easier for seniors to stay working for longer would help; so too would easing the path in the United States of skilled immigrants. The workforce training system in the United States could also be radically improved by aligning more closely to employers' human resources' systems and financing specific educational programs based on job placement results.

Tackling misaligned incentives in public and regulated sectors, including health care, is also a prerequisite for lifting the productivity of the U.S. economy as a whole. These sectors represent more than 20 percent

of the U.S. economy but post persistently low productivity growth. If the public sector could halve the estimated efficiency gap with similar private-sector organizational, its productivity would be 5 to 15 percent higher, generating annual savings of between \$100 billion and \$300 billion.

Finally, the United States needs to ensure that it has the information technology infrastructure in place to fully take advantage of the possible gains from "Big Data" - including everything from data-crunching, to information storage in cloud computing, to IT applications in biology and the life sciences. Although the United States remains the global leader in research and development, other countries are catching up, particularly in new, cutting-edge industries. In 2009, China surpassed the United States for the first time in the size of clean energy investments, for example. Reducing the red tape to deploy new research or manufacturing facilities would help the United States to keep its lead. Obama [signaled](#) in January that he would tackle exactly that in a government-wide review.

GDP and productivity growth are vital not just at home, but for American competitiveness worldwide, ensuring that the United States remains an attractive place for businesses to operate, invest, and expand. The core of the United States' competitive strength has been the economy's rapid rate of innovation and productivity growth, as well as the large, expanding, and dynamic U.S. domestic market. The United States has led the world's developed nations in terms of productivity performance for years. However, today emerging economies such as China and India are experiencing rapid GDP and productivity growth, intensifying the competitive pressure on the United States in an increasingly broad range of goods and services.

So companies can do the heavy lifting -- but the government needs to weigh in, too, enabling the private sector to unleash a new era of dynamism that ensures the nation's long-term growth and competitiveness. The United States is certainly capable of this step-change in productivity growth. Not meeting the productivity imperative would risk leaving the next generation of Americans with slower increases in the standard of living than their parents or grandparents experienced. The time to act is now.

View further findings of the McKinsey Global Institute study exclusively [here](#).

JEWEL SAMAD/AFP/Getty Images

Byron Auguste is a director of McKinsey & Company and a director of McKinsey's Social Sector Office.

James Manyika is a director of McKinsey and a director of the McKinsey Global Institute.

Scott Nyquist is a director of McKinsey and a leader of McKinsey's Global energy and materials and Sustainability and resource productivity practices

TEXT 12

Bloomberg

Russia Needs Fair Polls to Grow Economy, Cut Role of Energy, Kudrin Says

By Emma O'Brien - Feb 19, 2011

[Russia](#) needs “just and fair” elections to spur economic growth and cut dependence on energy, Finance Minister Alexei Kudrin said.

The country, scheduled to hold parliamentary elections in December and a presidential poll next year, needs to ensure a credible vote to establish “the mandate of trust necessary for economic reform,” Kudrin said in a speech to an economic forum late yesterday in the Siberian city of Krasnoyarsk, according to a [transcript](#) on the government’s website.

“If distrust is established, we will not be able to carry out our tasks fully,” said Kudrin, who also holds the rank of deputy prime minister. “All major political forces in society” need to be represented in the elections for the results to be trusted, he said.

The Organization for Security and Cooperation in [Europe](#)’s main election monitoring bodies refused to observe Russia’s 2008 presidential election, saying they would be restricted in their duties and there was not enough competition in the field of candidates. Russia is the world’s most corrupt major economy, ranking alongside Tajikistan and [Kenya](#) in this year’s Transparency International Corruption Perceptions Index.

Russia’s economy will probably grow by about 4 percent over the next few years, which is “not enough” for the world’s largest energy exporter and oil producer to compete on the global stage, Kudrin said, estimating that the rate needs to be as fast as 7 percent. Foreign direct investment into Russia slid by as much as \$14 billion last year, he said, citing preliminary data. That would be the second straight annual decline, according to figures compiled by Bloomberg.

“Investors are in the mood to wait and see how Russia recovers in the wake of the crisis and we need to quickly create the necessary conditions and guarantees,” Kudrin said. “We need to substantially improve the investment climate.”

Industry Rebounds

Russian industry has rebounded to 97 percent to 99 percent of its output before the global financial crisis, which saw the economy contract by a record 7.8 percent in 2009, Kudrin said yesterday. Some sectors remain behind, with the metals industry 8 percent off its pre-crisis levels and construction down 5 percent from where it was in early 2008, he added. The economy, which grew 5.2 percent in 2008, will probably return to those levels this year, Kudrin said.

The Finance Minister said Russia needs to reduce its dependence on oil and gas, which makes up about a quarter of economic output. There is also risk of further “currency wars” if countries around the world don’t allow their currencies to trade freely, Kudrin said in the speech.

To contact the reporter on this story: Emma O’Brien in Moscow at eobrien6@bloomberg.net

TEXT 13

February 18, 2011

Hyundai's Swift Growth Lifts Alabama's Economy

By NICK BUNKLEY

MONTGOMERY, Ala. — Few people in this city 800 miles south of Detroit cared much about the auto industry until Hyundai announced it would build cars here nine years ago.

These days, Montgomery cannot stop talking about it.

Hyundai and its sister company, Kia, which opened a plant last year just across the Georgia state line, have brought thousands of well-paying jobs to the region and even helped nurture a little Korean culture in Montgomery, the first capital of the old Confederacy. Hyundai is running its Montgomery plant almost nonstop. Rarely do more than a few weeks pass without word that another parts supplier has dozens of new positions to fill, typically offering good benefits and double the pay that the average Alabaman earns.

Hyundai, which will observe its 25th anniversary selling vehicles to American drivers on Sunday, was little more than an ambitious, second-tier brand when it chose to build its first United States car factory just south of Montgomery. But during the recent [recession](#), the South Korean company thrived as Americans sought out cheap cars just as Hyundais were improving in quality.

In 2010, Hyundai and Kia each posted their highest sales in the United States and, taken together, surged ahead of [Ford Motor](#) to become fourth-largest automaker worldwide. Hyundai built 300,000 cars in Montgomery last year and sold most of them in the United States.

“If folks looked deeply at how far we’ve gone so quickly, from having no U.S. production five years ago to where we are today, it’s amazing,” John Krafcik, chief executive of Hyundai Motor America, said. “I don’t know that any company has gotten to such a high level of local assembly as Hyundai that fast.”

While Michigan’s dependence on the auto industry caused it to have one of the nation highest unemployment rates in recent years, the presence of Hyundai and Kia has helped Alabama keep its jobless rate among the lowest in the Southeast even as textile mills continue to close.

“As far as the pay, nobody else around here can compete with them,” said Richard Watson, a former auto mechanic who was out of work for a year and a half before getting a temporary job at the Kia plant in [West Point](#), Ga., last fall. He said some of his co-workers drove two hours each way because the plant’s jobs were in such demand.

Hyundai is running its Montgomery plant, which employs 2,650, around the clock on weekdays and occasional Saturdays to keep up with demand. Last summer, it moved production of its Santa Fe sport utility vehicle 95 miles northeast to the Kia plant to free capacity in Montgomery. Kia recently hired 600 additional workers to operate a second shift for the Santa Fe and plans a third, with 1,000 more jobs.

Both carmakers expect to easily top their 2010 sales in the United States this year. Hyundai’s sales were up 22 percent in January; Kia’s rose 25.6 percent, the highest among the industry’s larger players. Together, the two sold more than 65,000 vehicles, about 5,000 short of surpassing [Chrysler](#).

Hyundai makes its own engines in Montgomery, and transmissions for its cars come from a Hyundai-owned company, Powertech, which is attached to the Kia plant. Alabama lists 138 suppliers that support the Hyundai plant, directly or indirectly. (Some also do business with the [Honda](#) and Mercedes plants near Birmingham and the [Toyota](#) engine plant in Huntsville.)

“These jobs have good salaries and good fringe benefits, and are more self-fulfilling” than the ones that have left the area, said Seth Hammett, director of the Alabama Development Office. “The automobile business has really been good for Alabama.”

More than 50 companies have followed Hyundai to the Montgomery area from Korea, with executives and their families in tow. The city’s Korean population has jumped from about 100 before Hyundai to more than 3,000 today, said Su Yong Sim, president of the Korean-American Association of Greater Montgomery and a contractor who moved from Houston to help build part of the Hyundai plant.

About 10 Korean restaurants, a dozen Korean churches and a few small grocery stores like the Seoul Market, which stocks items as diverse as dried anchovies and toothpaste from Korea, have sprouted around town.

Jeannie Park, who opened a hair salon after moving here from Atlanta two years ago, sees a steady stream of female customers during the week, and men jam the shop on the weekends. She admitted that Montgomery lacked some of the excitement she was used to, but that the more Koreans move to town, the more she feels at home.

“It’s more of a community here,” she said.

In West Point, Ga., where the Kia plant sits on a former cow pasture, a sushi restaurant has opened among the 19th century storefronts downtown, and a former Pizza Hut across the Chattahoochee River is now the Korean BBQ House.

Kia arrived in West Point as the area was reeling from the closure of 12 textile mills that had formed the economic base for decades. After the mills sent their work to India and China, Kia moved in, offering better pay and benefits.

“A lot of really great things are happening now,” said Ruthanne Williams, who opened the Irish Bred Pub at the center of West Point in 2009. “It’s been better than expected.”

With Kia raising the town’s profile, Atlanta Christian College announced this month that it would relocate to West Point and renovate the abandoned headquarters of one of the textile companies that pulled up stakes. A Hyundai-owned supplier to Kia, Glovis, recently turned a sprawling empty mill a few miles away into a logistics hub, adding several hundred jobs.

Montgomery’s recently struggling downtown, home to the Hank Williams Museum, has enjoyed a Hyundai-fed building boom, anchored by a new Renaissance Hotel where the televisions can be set to greet visiting executives in Korean.

Near the car plant on the south edge of town, a Hyundai subsidiary that makes electrical transformers is building a factory that was originally supposed to create about 500 new jobs. Even before construction began last year, the company had doubled that estimate, to 1,000.

The factory will undoubtedly receive a crush of job applications, much as Hyundai did when it was first increasing production.

“It was like a rock star was coming to town,” said Ashley Frye, vice president of production for Hyundai Motor Manufacturing Alabama. Mr. Frye said that when he wore his Hyundai jacket or shirt around town, people often approached him to ask, “Are you hiring? What can I do to get a job out there?”

For more than a year, workers at the Hyundai plant have been putting in 10 hours of overtime a week as part of their regular schedule, plus occasional Saturdays. With an average regular wage of about \$20 an hour, the additional overtime hours mean workers here are earning more than many workers at the unionized plants up north. The [United Automobile Workers](#) union has long tried to organize plants in the United States operated by foreign carmakers, most of which are in the South, but has yet to succeed anywhere.

For 2011, Hyundai is working to increase the plant’s output by an additional 10 percent, or 30,000 vehicles, Mr. Krafcik, the chief executive, said.

The plant builds the Sonata midsize sedan, whose sales rose 63.8 percent in 2010, and the newly redesigned Elantra compact car, which is rated at 40 miles per gallon on the highway and has a starting price under \$15,000. The Elantra is expected to be a fierce competitor to the new [Ford Focus](#) and the [Chevrolet Cruze](#), both of which also break the 40 m.p.g. barrier.

Hyundai’s leadership in both fuel economy and price is largely responsible for the company’s growth. The company said the vehicles it sold in January had an average fuel economy of 34.7 m.p.g., meaning it is already close to meeting future government standards without a single hybrid car in its lineup. (The new gas-electric hybrid Sonata has already arrived at some dealerships.)

At the same time, the vehicles’ quality — the subject of a billboard alongside the freeway in front of the Montgomery plant — has improved greatly, to the point that persuading shoppers to try a Hyundai is far easier, said Rob Butler, who has owned the Butler Hyundai dealership in Indianapolis since 1988.

“We’re on a lot more shopping lists than we used to be,” Mr. Butler said. “Hyundai’s really crashed through that old perception of what Hyundai used to be. Now, not only are they better-priced but they’re a better car.”

TEXT 14

How to Build the Next Economy

By Bruce Katz

The phrase "the next economy" has become common currency in the public debate about economics and public policy. The term itself has been used before--Paul Hawken's book, "The Next Economy," was published in 1983--but the term has evolved as the global situation has changed. So when we talk about a "next economy" in 2011, what do we mean, and how will it be different from what existed before?

My candidate for the next economy: one that is driven by exports, powered by low-carbon, fueled by innovation, and rich with opportunity. This is a vision where the U.S. exports more and wastes less, innovates in what matters, produces and deploys more of what it invents, and ensures the economy works for working families.

Why exports? Because the locus of world economic power is shifting. The top 30 metropolitan economic performers between 2009 and 2010 are almost exclusively located in Asia and Latin America. To grow and restructure, the U.S. must purposefully reorient its economy to serve urbanizing nations such as China, India, and Brazil.

Why low carbon? Because the clean economy will trigger a market transformation as profound as the information revolution, creating millions of jobs in the process. The energy we use, the infrastructure we build, the products we buy, the homes we live in, and the office and retail buildings we work in will be cleaner, more sustainable, and more efficient. The U.S. needs to engage fully in the low-carbon sector, expected to grow three fold to more than \$2 trillion in the next decade.

Why innovation? Because we are on the cusp of an historic era of technological acceleration, which will dramatically change how people live, companies operate, and communities function. The U.S. must be at the vanguard of technological acceleration, a hot house of ideas as well as a platform for advanced production.

Why opportunity? Because the next economy offers the best chance to reverse the troubling, decades-long rise in income inequality and decline in jobs that pay decent wages and provide decent benefits. This will not just happen. The U.S. needs to upgrade the education and skills of its rapidly diversifying workforce to fill the demands of next economy's jobs and occupations.

An economy with these characteristics will have one additional feature: it will be led by metropolitan areas. The top 100 metropolitan areas, unified economies of cities and their surrounding counties, house two-thirds of our population and generate three-quarters of our GDP. Metros concentrate ideas, people, and technology in a virtuous cycle that generates more innovation, more ideas, and attracts still more people to start the cycle all over again.

In an ideal world, the federal government would set a strong platform for national and metropolitan growth: embracing trade, pricing carbon, investing in advanced R&D, transforming infrastructure and overhauling immigration.

But the U.S. circa 2011 is not an ideal world. Washington is excessively partisan and deeply polarized, and budget crises loom across the country.

So we must build the next economy the hard way, via a pragmatic caucus of state and metropolitan leaders, from the public and private sectors, who can spur economic recovery and renewal from the ground up, despite political odds and fiscal obstacles.

Here are three low-cost and high-impact building blocks that should be replicated widely:

First, states must align to metropolitan priorities.

Many metropolitan areas have economic plans that build on their distinctive competitive advantages. Historically, these plans have been largely ignored by state governments. That may be about to change. New governors in Colorado, New York, and Tennessee are actively seeking to place their investments and policies in the service of ground-up economic development strategies.

Second, the states must govern for growth.

Most states have legacy governments operating with bureaucracies designed for a different era and a different economy. The solution is to both bring more integration to state government and create more nimble, market-oriented institutions to leverage private finance and to make evidence-based investment decisions. Michigan has essentially created a Jobs Cabinet, pulling together economic development,

infrastructure, job training, and housing investments under one roof. States should also be looking to State Infrastructure Banks to help make transformative investments to spur trade and low-carbon transmission and production. Private capital and private entrepreneurs are sitting on the sidelines ready to be deployed.

Third, to grow the next economy, the states must cut to invest.

The fiscal crisis could simulate a wave of cost-saving state innovation, from eliminating low-return economic development strategies that use tax abatements to lure firms across jurisdictions, to consolidating duplicative local governments and services. A relatively small portion of the savings could be used for productive activities. For the low price of \$9 million, states could create advanced manufacturing centers, perhaps within universities and in collaboration with manufacturers, to help grow productive regional economies.

The next economy could be a bright one for the U.S., but only if we act with purpose and discipline. Delivering the next economy will begin at home, in metropolitan engines that drive our economy and states that can provide a platform for metropolitan growth.

For more on Bruce Katz's vision of the next economy, see his [Global Metro Summit Presentation](#).

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TEXT 15

February 6, 2011

Europe Bailout Fund Is Sufficient to Protect Economy, Says Lagarde

By REUTERS

PARIS (Reuters) — France's economy minister, Christine Lagarde, said on Sunday that the euro zone's package of rescue money was enough to stave off future crises.

Germany and France last week proposed far-reaching plans to deepen integration among the 17 nations that use the euro. Those proposals included placing limits on debt levels written into national laws and a minimum corporate tax rate.

Many European countries were quick to criticize the proposal, but analysts said that the Franco-German move potentially was an important turning point, one that could lead to the euro nations agreeing to more of their economic policies in a unified bloc.

The proposal was also intended to strengthen the rescue fund by allowing it to lend all its 440 billion euros, and perhaps use the money more flexibly.

France and Germany want euro zone leaders to sign off on a “comprehensive package,” including changes to the European Financial Stability Facility, the bailout fund’s formal name.

Euro zone countries, however, are looking at ways to raise the rescue fund’s effective lending capacity and give it more flexibility on how to use its money.

“We have enough punch to respond in case of emergency, which is sufficient if we develop it, and if we ensure that it can all be mobilized,” Ms. Lagarde said in an interview on the television channel France 5.

“It’s not enough to have the same currency. We have to have concordant, coherent policies that bring us towards a more competitive and innovative Europe,” Ms. Lagarde said.

She said that the euro was a solid currency in which foreign central banks had confidence, but added that it should not become so strong that it hurts the euro zone’s competitiveness.

“I assure you that in the euro zone we are solid and politically determined to defend the zone and the currency,” she said.

TEXT 16

Bloomberg

Turkish-Made Auto Boom Has Ford, Karsan Vie for Manhattan Cabs

By Ercan Ersoy and Benjamin Harvey

Feb. 3 (Bloomberg) -- Carmakers in Turkey drove economic growth that rivaled China’s last year, exporting in record numbers across Europe and the Middle East. Now they want to drive New Yorkers, with two of the three finalists for the “Taxi of Tomorrow” competition being Turkish-made cabs.

Ford Motor Co.’s unit near Istanbul and Karsan Otomotiv Sanayii AS, which is offering a moon roof to watch the Manhattan skyline, are vying with Nissan Motor Co. of Japan for the 10- year contract to roll out a fleet of next-generation cabs. It’s the first time New York is introducing a uniform fleet.

The entry of Turkish firms caps a decade in which the country’s once little-known car industry has emerged as a regional powerhouse, more than quadrupling production to overtake Poland and the Czech Republic as a manufacturing base for global brands. Output also surged as Turkish banks not only survived the financial crisis without a government bailout, they approved record amounts of loans to businesses and consumers.

“Turkey has become a hub for light-commercial vehicle production for many global car companies as this segment has grown in popularity,” said Berna Kurbay, an automotive analyst in New York-based BGC Partners’s Istanbul office. “The visibility created with the New York taxi cab could help create a quality image for cars made in Turkey.”

Crown Vic

Ford has long been the automaker of choice for livery drivers. Its Lincoln Town Car is the standard airport shuttle for corporate executives while most police cars in the U.S. start out as Ford Crown Victorias. With Ford planning to close the St. Thomas, Ontario, assembly plant that makes those large, rear-wheel-drive cars, New York is looking at other options.

Ford offers customers a version of the Transit Connect minivan built with Turkey's Koc Holding AS at a seaside plant 100 kilometers (62 miles) from Istanbul. The Dearborn, Michigan-based company began exporting the model from Turkey to the U.S. last year, selling the taxi version in 10 U.S. cities.

Turkey, which has no automotive brands of its own, has also become a production hub for Hyundai Motor Co., Toyota Motor Corp. and Renault SA. Fiat SpA's Turkish unit, Tofas Turk Otomobil Fabrikasi AS, began making the Doblo minivan after investing 386 million euros (\$533 million) from 2007 to 2009.

Gasoline prices in Turkey are 3.9 liras (\$2.50) a liter, or about \$9.50 a gallon, and government taxes more than double the price of some cars. The industry is therefore heavily export-reliant with three of every four vehicles shipped abroad, according to data from Turkey's Automotive Distributors' Association. Production rose 26 percent last year to 1.1 million vehicles, making the country the top producer in Eastern Europe outside Russia.

Lending Boom

Turkey's economy outpaced every member of the Group of 20 nations except China in 2010 with annual growth of 8.9 percent in the first three quarters. It probably expanded 8 percent in all of 2010, the International Monetary Fund estimates. Lending by Turkish banks climbed 34 percent last year to 532.4 billion liras, the country's banking association reported.

At Karsan's factory in Bursa on the Sea of Marmara, Chief Executive Officer Murat Selek leans over to unlatch a giant metal box in his office. The company's focus on the New York cab competition -- Karsan's offer is the only one among finalists that was designed from scratch as a New York cab -- gives it an advantage, Selek said.

The Karsan V1 is a boxy, van-like taxi with an ample backseat, an engine that can be gas, hybrid or electric, an advanced "infotainment" setup and the only design of the three to offer full handicapped access, a feature that has already won the company plaudits from advocates for the disabled, including Assemblyman Micah Kellner of Manhattan.

Peugeot, Renault

"We understood that the mayor of New York wanted a specially designed vehicle," Selek said in a Jan. 18 interview as he reached inside the box to pull out a model taxi parked atop 1,500 pages of technical specifications.

New York Mayor Michael Bloomberg is founder and majority owner of Bloomberg News parent Bloomberg LP.

Karsan, which also builds vans and trucks for Peugeot, Citroen and Renault, plans to increase sales 10 percent to 20 percent from last year's 550 million liras to 600 million liras and will invest \$150 million in production should it win the tender, the CEO said.

For Ford Otomotiv Sanayi AS CEO Nuri Otay, a contract to produce some 26,500 taxis for New York over a decade may have less impact on the company's profit. The venture may report about 447 million liras in 2010 net income, according to the average estimate of eight analysts surveyed by Bloomberg.

Global Hub

Oktaay said the taxi contract is important as it helps him achieve a larger goal: making Turkey a global hub for automotive research and development. Ford Otosan, as the Turkish unit is known, will have more than 1,000 research and development engineers by the end of this year, he said in an interview. "It will be one of Ford's three global R&D centers."

A large pool of talented engineers is one of the main reasons international carmakers choose Turkey, according to Pinar Sahin Fersoy, a London-based Turkish industrials analyst at Nomura International Plc.

Nissan's design is based on the NV200 van, which was introduced in 2009, according to the company's Web site. The NV200 was named International Van of the Year 2010 by a jury of 23 European motor journalists, who said it "sets new standards in terms of internal space," according to Yokohama-based Nissan.

New York's taxi commission is evaluating "best and final offers" from the three finalists, said David Yassky, who chairs a committee of the New York mayor's office tasked with selecting the winning bid. "The country of manufacture is not now, and has never been a criteria for taxi cabs. The now predominant Crown Vic is not American-made and none of the responses propose an American-made vehicle."

--With assistance from Keith Naughton in Southfield, Michigan and Josh Bassett in London. Editors: Mark Bentley, Kenneth Wong

To contact the reporters on this story: Ercan Ersoy in Istanbul at eersoy@bloomberg.net; Benjamin Harvey in Ankara bharvey11@bloomberg.net.

To contact the editors responsible for this story: Benedikt Kammel at bkammel@bloomberg.net; Andrew J. Barden

TEXT 17

Turkey leverages economy for global power

ISTANBUL | While much attention has been focused on [China](#) and [India](#), other quickly emerging nations are establishing themselves as powers to contend with in their parts of the world.

[Turkey](#) is one of those nations. A decade of robust and largely uninterrupted growth has allowed the longtime [U.S.](#) ally to influence world affairs and become an ambitious force in its strategically critical neighborhood at the nexus of Europe, Asia and the Middle East.

As with [China](#) and other large emerging nations, the swift rise of [Turkey](#), [South Africa](#), [Colombia](#) and several other regional economic powers contrasts with — and to some extent owes to — the economic weakness in the [U.S.](#), Europe and [Japan](#) in the aftermath of the 2008 financial crisis and recession.

Although the emerging nations were set back by the crisis, the damage to their economies proved largely temporary and they have since resumed robust growth that is enabling them to quickly make gains on more developed nations.

[Turkey's](#) secular Muslim leaders have made no secret of their ambition to reprise the economic pre-eminence, if not the military predominance, of the Ottoman era, when the region was the center of an empire that encompassed most of the Middle East, North Africa, Central Asia and the Balkans before crumbling in the aftermath of World War I.

Growing economic strength is giving [Turkey](#) a platform to fashion a more independent and Islamic-leaning foreign policy that puts the nation's economic interests squarely in the forefront over its traditional role of furthering the agenda of the [North Atlantic Treaty Organization](#).

[Sinan Ulgen](#), a scholar at the [Carnegie Endowment for International Peace](#) and a partner at Istanbul Economics, said [Turkey's](#) extraordinary economic performance in the past decade has transformed the nation's outlook on the world and is the driver behind its more assertive foreign policies.

"It's quite radical, quite a sharp economic transformation," he said, noting that per-capita income in [Turkey](#) tripled from \$3,000 to \$9,000 in less than a decade while foreign investment flows jumped from \$1 billion a year to \$20 billion a year and trade with the rest of the world burgeoned to \$200 billion.

"That has totally changed the foreign policy outlook," and along with the end of the Cold War made [Turkey](#) particularly keen to re-establish peaceful economic relations with neighbors with [Iran](#), [Iraq](#), [Syria](#), [Lebanon](#), [Greece](#), Eastern Europe and [Russia](#). [Turkey](#) has adopted a "zero problems" policy toward such neighbors, with which it previously had cool or hostile relations.

"Now, one of the objectives of Turkish foreign policy is to ensure that Turkish exporters get new export markets and that the country receives more foreign direct investment," [Mr. Ulgen](#) said.

Broader reach

The Middle East, in particular, "is seen as a new untapped market for its economic actors," but the nation also is making forays into Africa and as far away as South America and [China](#) in its efforts to expand its universe of trade and influence.

While some in the West worry that [Turkey](#) is turning away from its Cold War-era ties with Europe and the [U.S.](#), particularly in aligning itself with Arab nations and against [Israel](#) on the Palestinian question, the nation's leaders insist that they seek only to supplement and expand their diplomatic universe.

[Turkey](#)'s newfound independence in foreign policy was perhaps epitomized in 2003 when the government of Prime Minister [Recep Tayyip Erdogan](#) opposed the [U.S.](#) invasion of [Iraq](#). But [Turkey](#) later showed its solidarity with the [U.S.](#) — as well as its entrepreneurial side — by becoming a major supplier of food and other necessities to [U.S.](#) troops in [Iraq](#).

Gaziantep, a bustling and wealthy city not far from the [Iraq](#) border in southern [Turkey](#), boasts that nearly 40 percent of the city's trade is with [U.S.](#) forces in [Iraq](#). Mayor [Asim Guzelbey](#) said he is not worried about a loss of business as the [U.S.](#) winds down its military presence in [Iraq](#).

"I believe the economy will increase" as [Iraq](#) moves toward establishing a peacetime economy, he said. "There will be greater construction in [Iraq](#), and they will look for partners in Gaziantep."

[Turkey](#), unlike [Russia](#) and [Brazil](#), does not have natural resources to exploit. Its main economic strength is an entrepreneurial tradition that dates back centuries to the era of the Silk Road, when the Ottoman Empire gained its riches and power from taxing and dominating much of the critical trade route between East and West.

The [Erdogan government](#) has brought increasing political freedom and stability. Along with a fast-growing population, that has enabled [Turkey](#) to eke out a stellar economic performance that has won the country a seat on the Group of 20 economic powers.

Critical shift

[Ali Babacan](#), [Turkey](#)'s deputy prime minister, sees the end of the Cold War and 2008 global crisis as pivotal events that weakened the West's grip on the developing world and accelerated the emergence of competing power centers around the world.

He contrasted [Turkey](#)'s brisk economic performance with the sluggish economy in the [U.S.](#) as it struggles to overcome a legacy of heavy debt and deficits that led to the crisis.

"We are moving towards a multipower system in the world. The Cold War is over," he said in an interview with visiting American journalists and scholars. For a while, "there was one superpower, but now after the recent crisis, there will be a multipolar world. The whole world is shifting to the East."

For the [U.S.](#), "the problems are so big, so accumulated over years, you should not expect a very fast recovery," he said, describing how [Turkey](#) had to slash its budget deficit early in the past decade from 12 percent of economic output and ended up with a 1 percent budget surplus.

Slaying the debt dragon is what gave [Turkey](#)'s citizens and businesses the confidence to spend and grow, [Mr. Babacan](#) said. He has cautioned [U.S.](#) leaders privately within the G-20 against using further debt to try to stimulate the economy.

Congress and the Obama administration shunned such advice from [U.S.](#) allies and passed a \$890 billion bill last month extending the Bush-era tax cuts and adding more tax cuts and spending.

[Mr. Babacan](#) also was critical of the Federal Reserve's plan to print money to purchase much of the U.S. Treasury debt in coming months, noting that wariness about burgeoning [U.S.](#) debt has been weighing on the U.S. dollar and tarnishing its role as the world's reserve currency.

[Mr. Babacan](#)'s remarks illustrate how leaders in emerging markets have been emboldened by the West's struggles with debt problems while their economies have received a boost from their success at controlling past debt problems. He noted that [Turkey](#)'s sound financial condition surpasses those of most European countries and has made it increasingly attractive to investors and businesses looking for opportunities.

Although the economic crisis temporarily set back trade with [Turkey](#)'s main trading partners in the [European Union](#), it did not do fundamental damage to [Turkey](#)'s economy. In the [U.S.](#) and Europe, the overhang of debt continues to hold down growth, and explosions of public-sector borrowing has led to further financial crises in [Greece](#), Ireland and other countries.

'Anatolian Tiger'

[Turkey](#)'s economic success as the "Anatolian Tiger" has lent itself to second thoughts about whether the country should go through with its long-standing bid for full membership in the [European Union](#).

[Mr. Babacan](#) and other Turkish leaders insist that they still want to complete their economic union with Europe, but they say they now expect [Turkey](#) to do just fine regardless of its status in Europe.

Turkish leaders stress that they benefit simply by pursuing [EU](#) membership through a series of governmental reforms requiring the country to strengthen its system of democratic rule and open markets, while guaranteeing an independent judiciary, freedom of the press and human rights.

"I don't know whether we'll become a member of the [EU](#) or not, but it's important for us to meet those targets for our own democratic reform," [Mr. Babacan](#) said.

[Turkey](#) now has an economic climate similar to [China](#)'s, and both are dealing with issues of fending off inflation in economies that are attracting tens of billions of dollars in investment from abroad. Such a swell of investment can scarcely funnel fast enough into growth projects.

Investors from all over the world, disillusioned with the sluggish growth in the [U.S.](#), Europe and [Japan](#), have swarmed to [Turkey](#) and other emerging markets to capitalize on double-digit rates of growth.

[Turkey](#), [China](#), [Brazil](#) and the other emerging markets have grown so quickly that they now constitute nearly half the global economy. [China](#) surpassed [Japan](#) last year to become the world's second-largest economy — about the same time that the Financial Times came up with an acronym ("Civets") for the up-and-coming second tier of emerging powers, including Columbia, Indonesia, Vietnam, Egypt, [Turkey](#) and [South Africa](#).

Bubble under the surface

The investment boom also has a dark side: More than two-thirds of the stocks on the Istanbul stock exchange are owned by foreign investors. [Mr. Babacan](#) touts that as a sign of global confidence in [Turkey's](#) open markets, but notes that it also raises the prospect that foreign money is fueling an investment bubble that could end badly if foreigners exit the market as quickly as they entered.

“All this money has flooded in” to the emerging markets, said David Herro of Harris Associates, suggesting that the boom may be close to running its course. “With all the euphoria surrounding them, it’s hard to find fundamental value. ... Growth in emerging markets is helping the world, but you can overpay for it, and that’s what’s happening.”

The flood of money from the rest of the world is giving boasting rights to Turkish businessmen [a Kerem Aydin](#), deputy secretary general of Tuskon, a confederation of Turkish businessmen and industrialists, noted that at [Turkey's](#) growth rate of 6 percent or more a year could make it the second-largest economy in Europe after Germany within 10 years should it succeed with its [EU](#) bid. With a population of 75 million and growing briskly, it would be among the most populous countries in Europe as well.

“That’s undoubtedly why some people fear our membership,” he said, referring to opposition to [Turkey](#) that has surfaced in France and some other [EU](#) countries.

[Mr. Aydin](#) expects Turkish businesses will be indifferent in the end on full membership in the [EU](#). At this point, their European markets are stagnating and they see more opportunities for growth in countries to the east and south.

[Turkey's](#) hopes of reigniting its influence and economic dominance at the crossroads between Europe and Asia was dissected and mocked in a series of leaked classified documents made available by WikiLeaks several weeks ago.

A classified cable from Ambassador James Jeffrey last year noted that robust economic growth is “one secret of Turkish success” in reaching out to Middle Eastern countries such as Syria and making Turkey a more pivotal player in the region.

Mr. Jeffrey said the [U.S.](#) should expect [Turkey](#) to become more independent even though the nation has “not achieved any single success of note” with its diplomatic ventures, including a recent attempt along with the [Brazil](#) to mediate the Iranian nuclear program dispute.

[Turkey](#) has “Rolls-Royce ambitions” but only “Land Rover resources,” he said, and will have to compete for influence in the region with [Russia](#), Egypt, Saudi Arabia, the [EU](#) and other regional powers.

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TEXT 18

Bloomberg

Russia Follows China in Raising Bank Reserve Ratios

February 07, 2011, 10:50 AM EST

(Closes ruble in sixth paragraph, forwards in 11th.)

Feb. 7 (Bloomberg) -- Russia, the only one of the so-called BRIC countries without capital controls, is following China and Turkey in relying on reserve requirements to drain cash from the economy and avoid luring more speculative investment.

"We stand ready to continue increasing mandatory requirements, if needed," Bank Rossii Chairman Sergey Ignatiev said in Frankfurt on Feb. 4. Policy makers will "act decisively to meet the forecast" for 2011 annual inflation of between 6 percent and 7 percent, he said.

The central bank on Jan. 31 increased the mandatory reserve ratio while unexpectedly leaving its deposit rates unchanged after inflation in January accelerated to the fastest in 15 months. Policy makers cited the threat of rising capital inflows driven by higher oil prices.

Emerging economies are weighing the need to curb inflation against the risk of attracting speculative capital from near-zero interest rates in the U.S. and Europe. The threat of a stronger ruble and stifled exports may be a "big headache" for Russia, central banker Alexei Ulyukayev said last month.

The ruble is the best performer against the dollar in the past three months among more than 25 emerging-market currencies tracked by Bloomberg, having gained 5.06 percent.

The Russian currency gained 0.2 percent to 29.3499 per dollar by the close of trading today in Moscow, a nine-month high. It reached 34.0052 against the target dollar-euro basket used by the central bank to limit swings that disadvantage exporters, the strongest since May. The basket rate is calculated by multiplying the dollar-ruble rate by 0.55, the euro-ruble rate by 0.45, then adding them together.

Prices Surge

Consumer prices in January surged 9.6 percent from a year earlier, triggered by the worst drought in at least 50 years, while monthly inflation was 2.4 percent, the quickest in two years. Grain costs climbed an annual 70 percent last month and fruit and vegetables increased 51 percent.

Central bankers have kept the benchmark refinancing rate at a record-low 7.75 percent since June, opting to increase the deposit rate in December. They last week raised the mandatory reserve level for liabilities to 3.5 percent for non-resident companies and 3 percent for individuals and others, both from 2.5 percent.

'Highly Unorthodox'

The policy response in countries including Turkey and Russia is "highly unorthodox" and may lead to more aggressive rate increases as inflationary expectations mount, said Maria Gordon, a London-based emerging-market equity portfolio manager at Pacific Investment Management Co., which oversees about \$1.2 trillion.

"I would be looking for a combination of maximum fears, when the local markets will start pricing in a large degree of tightening and I would start taking positions on interest-rate sensitive stocks," she said in an interview in Moscow on Feb. 3, without specifying companies.

Traders are pricing in 0.85 percentage point of rate increases over the next three months, forward rate agreements show. Expectations on Jan. 26 were the highest in more than a year, with the forwards signaling bets for 1.15 percentage points, data compiled by Bloomberg show.

Emerging markets risk a "hard landing" as they start raising interest rates to fight inflation, Nouriel Roubini, the New York University professor who predicted the credit crisis, said at a conference in Moscow on Feb. 3.

China Reserve Record

China set record-high reserve requirements, raising the level four times in about two months. Latin American nations from Brazil to Peru are lifting the ratios and returning to capital controls to stem a rally in their currencies.

Bank Rossii raised the reserve level for liabilities to the highest since 2008 after lowering the ratio at the height of the financial crisis that year to help lenders weather the credit squeeze. It last lifted the requirement level in August 2009.

Banks including OAO Sberbank and VTB Group, the country's two largest, may need to set aside about 100 billion rubles to meet the new requirements, according to calculations by BNP Paribas and ZAO Raiffeisenbank.

Policy makers in Moscow are also reluctant to increase interest rates to avoid throttling economic growth, which they said is "uncertain." Gross domestic product grew 4 percent in 2010 after shrinking 7.8 percent a year earlier.

'Only Available Instrument'

The government predicts GDP will rise 4.2 percent this year, or less than half the 10 percent target set by President Dmitry Medvedev to pull the country in line with China, Brazil and India.

"Raising reserve requirements is the only available instrument for monetary tightening in these conditions," Pavel Pikulev, a Moscow-based fixed-income strategist in Moscow at OAO Gazprombank, the lending arm of Russia's gas export monopoly, said by phone on Feb. 4. "There's a risk that the central bank will later hike rates more aggressively than it would like now."

The U.S. Federal Reserve's plan buy an additional \$600 billion of Treasuries means that countries reliant on natural resources face an "onslaught of more capital," Nobel Prize-winning economist Joseph Stiglitz said in Moscow on Feb. 2.

The wide differential between domestic and external borrowing costs and the risk of spurring speculative inflows are among the factors “we always take into account” when discussing a rate increase, Ignatiev told reporters on Dec. 8.

Capital Inflows

Capital inflows in 2011 may exceed the official estimate for \$15 billion after three years of capital flight, Ulyukayev said on Jan. 21. Turkey the previous day reduced its benchmark rate for a second month and said it will continue to raise reserve requirements after lifting in December the ratio for deposits and savings of up to one month to 8 percent from 6 percent.

Russian-focused equity funds inflows extended to a 10th week in the seven days ending Feb. 2, posting the only gain among BRIC countries and taking in \$196 million, Alfa Bank said, citing data compiled by EPFR Global, a Cambridge, Massachusetts- based research company.

“In many countries around the world there are more active policies aimed at preventing capital inflows,” Stiglitz said. There’s “more sensitivity on monetary policy, keeping the interest rate down and using other instruments like reserve requirements to restrain domestic aggregate demand. You see a lot of interesting experiments going on.”

--Editors: Balazs Penz, John Fraher.

TEXT 19

NEW YORK TIMES

January 27, 2011

Leaders See New Global Business Reality in Davos

By CHRYSTIA FREELAND

DAVOS, SWITZERLAND — The best line in President [Barack Obama’s State of the Union address](#) was his contention that “this is our generation’s Sputnik moment.”

It was smart because the essence of the idea is obviously true: Just as the Sputnik launching in 1957 terrified Americans with the prospect that they might lose their global scientific supremacy, the rise of the emerging markets, particularly China, has made Americans again worry they could be losing their technological edge.

The Sputnik analogy was politically canny, too. Ahead of the president's speech, [Mitch McConnell](#), the leader of the Republican minority in the Senate, began a pre-emptive attack, warning Fox News viewers not to be seduced by presidential pledges of "investment." "With all due respect to our Democratic friends," he said, "anytime they want to spend, they call it investment, so I think you will hear the president talk about investing."

Mr. Obama's evocation of [NASA](#) and the moon landing was an emotionally powerful reminder that Americans haven't always viewed government investment — or even government spending — as an unequivocally bad thing. There was a time when big state projects were the acme of bipartisan patriotism.

But for all its tactical cleverness and its intuitive resonance, in one important way the Sputnik analogy was false. The space race was a contest between two rival but separate economic blocs. It is no accident that the competition was waged in the sky — back on Earth, the capitalist sphere and the Communist one did not have much commercial contact.

Today's Sputnik moment is playing out in an utterly transformed world economy whose defining characteristic is its interconnectedness. That makes winning a lot harder to define. The United States wanted the Soviet Union to lose — not just in space, but back on Earth. This time around, it isn't quite that simple. In this age of globalization, America wants to win, and it wants everyone else to win, too — except when it doesn't.

The president's speech reflected that ambivalence. At times, he framed the country's economic challenge as a Cold War-style, zero-sum game: "the competition for jobs is real," "we need to out-innovate, out-educate, and out-build the rest of the world," innovation must "produce jobs in America and not overseas."

But another part of the address was about enmeshing the United States more deeply in the global economy and making it even more dependent on the prosperity of its sometime rivals. The president talked up trade — boasting about agreements with India and China, claiming credit for his hard-won free trade deal with South Korea, promising to pursue similar pacts with Panama and Colombia and even giving a boost to the neglected global trade negotiations.

Businesspeople (and teenagers) are used to this sort of complicated relationship with counterparts that are sometimes rivals and sometimes partners — they call them frenemies, as [Sir Martin Sorrell](#), chief executive of WPP, the marketing and communications company, famously described Google.

Nowadays, countries live in a world of frenemies, too, as the discussion of reverse innovation, one of the hot topics at Davos this week, underscored. T.K. Kurian, chief executive of Wipro IT, the pioneering Indian outsourcing company, said in an interview that to succeed in the fast-growing emerging markets, Western companies needed to move some of their research and development there.

That, he said, was the only way they could truly “understand what a frugal environment means.”

Lest the point be lost on Davos man, Mr. Kurian’s boss, Azim Premji, the chairman of the larger Wipro group, told a cautionary tale of the mistakes Western multinationals make when they approach emerging markets with the “mind-set of an American sitting in Milwaukee or the mind-set of an automobile design engineer sitting in Detroit.”

Ford, Mr. Premji said, wanted to create a cheaper car for the Indian market. To bring down costs, it produced a model with only two electric windows, rather than four. But those two were in the front of the car — next to the chauffeur. Anyone able to spend \$15,000 on an automobile sits in the back seat, and those owners weren’t pleased to be downgraded to manual windows.

The good news, Mr. Premji and Mr. Kurian said, was that Western companies that master emerging market research and development often find they have come up with an inexpensive product they can sell to cost-conscious consumers back home. Except that may not be such good news to the American in Milwaukee or the engineer in Detroit who joins his blue-collar brethren in being displaced by workers abroad. Hence — frenemies.

The biggest example of how we are all frenemies was Mr. Obama’s push for export-led economic growth. From a national perspective, it makes a lot of sense: after all, it is a strategy that is paying off for China and Germany, two of the world’s most robust economies. The catch is that export-led growth won’t work if everyone tries it.

“Not everybody can have export-led growth,” said [Lawrence H. Summers](#), the president’s former chief economic adviser, who went back to [Harvard](#) at the beginning of this year. “The thing economists know is that all the trade balances, if you add them up, have to sum to zero,” he said, because “there are no Martians to whom we can export.”

And that is why the political leaders here at Davos are frenemies. Each one wants his country and its national champions to win in the new global arms race of producing high-tech, high-value-added exports. But he also wants his neighbors to be rich enough to buy those goods — and nowadays everyone, even consumerist America, has decided that the only path to prosperity is to likewise pursue a strategy of export-led growth.

Balancing these global appetites is the world’s Sputnik moment, and it may make putting a man on the moon — or even Mars — look simple in comparison.

Chrystia Freeland is global editor at large at Reuters.

This article has been revised to reflect the following correction:

Correction: January 27, 2011

TEXT 20

Brits Say Cybercrime Costs Billions

Cybercrime is leeching the UK economy of some \$43.5 billion yearly, says a new government report.

By John E Dunn

Feb 20, 2011 10:33 AM

Cybercrime is leeching the U.K. economy of a terrifying £27 billion (\$43.5 billion) every year [according to a new estimate](#) published by the government.

The headline number put out by the Office of Cyber Security & Information Assurance and consultancy Detica includes a £21 billion cost to business, of which £9.2 billion results from theft of intellectual property (IP) and £7.6 billion from industrial espionage.

Extortion against U.K. companies accounts for another £2.2 billion, the loss of customer data £1 billion, with £2.2 billion racked up in 'fiscal' fraud against the government itself.

Conventional [cyberfraud against ordinary citizens](#) is reckoned to be £3.1 billion in total, comprising £1.7 billion from identity theft and another £1.4 billion from online scams. Fake anti-virus scams alone accounts for £30 million of useless software sold to citizens.

"Estimates of the cost of cybercrime have until now not been able to provide a justifiable estimate of economic impact and have failed to address the breadth of the problem," admit the report's authors, dryly.

Skeptics -- and there will be some -- will point to the rather vague methodology used to calculate these figures but there is no doubt that [cybercrime has remained an unexamined phenomenon](#). Putting a figure on it is inherently difficult, not helped by underreporting and the ignorance of organizations that don't necessarily realize that they have been victims.

To summarize, the Internet has turned out to have some big downsides not helped by the pathetic underestimate of security's importance by powerful tech companies over the last decade. Sticking to the low regulation orthodoxy that has defined the last quarter of a century, governments twiddled their thumbs as it all unfolded. Until now.

Symantec, meanwhile, [has come up with a much lower citizen cybercrime figure](#) of £1.9 billion per annum -- a huge discrepancy in the amounts being estimated. A key theme of a study is that cybersecurity is about securing businesses and citizens and not simply the government itself. It has taken policy makers until now to formally acknowledge this.

