

## IMF: Turkey's growth to slow down in 2014

Today's Zaman, 29.04.2014



The International Monetary Fund (IMF) said it expects Turkey's economic growth to fall from 4.3 percent in 2013 to 2.3 percent this year in its spring Regional Economic Issues report, which it released in a meeting in Istanbul on Tuesday. The drop in growth will take place due to a decline in private consumption brought on by interest rate hikes and a considerable exchange rate adjustment, the report said.

The IMF also said on Tuesday that central, eastern and southeastern Europe faced "an unusual constellation of risks" as the fund prepared to cut its forecasts for Russian growth for the second time in less than a month.

In a new report, the IMF said the region was expected to benefit as the eurozone recovers from its debt crisis, but the tension over Ukraine and market concern as the US reduces monetary stimulus were creating high uncertainty. "An unusual constellation of risks clouds the outlook," the Fund said in its spring Regional Economic Issues report. "Geopolitical tensions surrounding Russia and Ukraine, more challenging global financial conditions as monetary policy in advanced economies normalizes, and the possibility of protracted weak growth in the euro area could take a toll on the region's growth prospects." Although the bulk of the region was forecast to see growth almost double this year to average 2.3 percent, Russia and Turkey -- the region's two biggest economies -- were instead expected to slow.

Aasim Husain, the deputy head of the IMF's European department, said tension between Russia and the West over Ukraine and the potential impact of sanctions were being studied now by an IMF team. That team is in Russia and due to report this week. Only this month, the Fund cut its 2014 Russian growth for the third time running, to 1.3 percent. Its original projection was around 3 percent. "The impact is not so much from the sanctions themselves but the confidence effects that arise from what future sanctions might look like," Husain told reporters. "... I am not going to offer a guess as to how much of downward revision [in the growth forecast] there will be, but I am almost certain we will see a downward revision." The United States froze assets and imposed visa bans on seven Russians close to President Vladimir Putin on Monday. It also sanctioned 17 Russian companies in reprisal for Moscow's actions in Ukraine. President Barack Obama said the moves, which add to measures taken when Russia annexed Crimea last month, were to stop Putin fomenting rebellion in eastern Ukraine -- an allegation Moscow denies.

# Israel's Netanyahu delays compensation agreement with Turkey

Hurriyet Daily News, 28.04.2014



Israeli Prime Minister Benjamin Netanyahu has delayed approval of a compensation agreement with Turkey that is designed to produce reconciliation between the countries over the Mavi Marmara incident, diplomatic sources have told the Hurriyet Daily News.

Netanyahu's hesitance is due to domestic political concerns as he has already been under pressure due to the peace process with Palestinians, which was recently suspended after Fatah and Hamas signed a unity deal, according to the sources. The agreement has been finalized and the text has been submitted for the approval of prime ministers.

However, Netanyahu is the one who has been avoiding ratifying the deal for at least two months, the sources said. Following months of negotiations, the deal was set to be signed after local elections in Turkey on March 30, Deputy Prime Minister Bulent Arınc said. The final reconciliation text on the monetary figure was delivered by Israel in February, Arınc said, adding that the Turkish government would re-evaluate and turn it into an official agreement to be approved by the two countries after the elections.

Turkey and Israel launched compensation talks for the Mavi Marmara victims after Israeli Prime Minister Benjamin Netanyahu issued an apology to Prime Minister Recep Tayyip Erdogan for his Navy's raid on the Mavi Marmara aid flotilla on May 31, 2010, which killed nine Turks. However, the normalization process could not be completed because of differences on the amount of compensation and its legal definition. The two countries' diplomats met at least four times last year. The difference between Turkey and Israel on the amount of money was quite high, but the parties narrowed their expectations to find a middle point in a bid to make a deal possible. When the agreement is signed, relations between two countries will be normalized at a diplomatic level assigning ambassadors, as both Turkey and Israel have even decided on the names of candidate envoys.

Ties between Israel and Turkey hit a new low following the raid in 2010, but pressure from U.S. President Barack Obama convinced Netanyahu to call Erdogan last March to apologize for the deadly operation and promise compensation the families of the Turkish victims. Netanyahu also expressed regret over the deterioration in bilateral relations and noted his commitment to working out disagreements in order to advance peace and regional stability. In his apology, Netanyahu also promised to ease the blockade on Gaza, something that the activists on the Mavi Marmara were attempting to do when they were raided by Israeli forces.

## Death sentences in Egypt unacceptable

Hurriyet Daily News, 28.04.2014



Turkey's leaders have condemned, in unison, the mass death penalty sentences delivered in Egypt for supporters of ousted Islamist President Mohamed Morsi. The leaders have called the sentencing unacceptable, while also urging both the United States and European Union member countries to strongly voice their objections against the sentences.

Germany's President Joachim Gauck, who was on an official visit to Turkey, also expressed deep concern and voiced willingness to get in touch with the Egyptian administration to form a decent judicial system, instead of today's oppressive system.

"It is not possible to accept these kinds of unbelievable sentences that are delivered by political courts at a time when democracy is suspended," Turkey's President Abdullah Gul said on April 28 at a joint press conference with Gauck. "I actually consider these types of mass sentences a very big malice to Egypt's future," Gul said. For his part, Gauck said it was not understandable for an interim government to apply oppressive judicial measures. "Particularly in transition times, an understanding of the judiciary, which is superior to the former, should be built. That's why, in the shortest time, also with Mr. Gul's diplomatic opportunities, and we, as Europeans, should get in touch with the current administration and launch an initiative for the transition to a more balanced judiciary," Gauck said in remarks translated from German to Turkish through an interpreter.

Earlier in the day, Turkey's Deputy Prime Minister Bulent Arinc had addressed the international community, calling for a strongly voiced objection to what has been going on in Egypt. "I believe Turkey has shown the required reaction, but I believe all countries, primarily the U.S. and EU member countries, should also object the death penalties," Arinc said on April 28, the day when an Egyptian judge sentenced more than 680 alleged supporters of the country's ousted Islamist president to death over acts of violence and the murder of policemen in the latest mass trial in Egypt that included the Muslim Brotherhood's spiritual leader. "People's being sentenced to death and the fact that they are about to be executed is not only a disgrace for Egypt.

It is very grave that there are countries which remain silent about this, which don't object to this action and don't accuse the administration over these sentences," Arinc said, while expressing hope the Egyptian authorities will renounce this "grave wrongdoing." Turkey's parliamentary speaker Cemil Cicek echoed Arinc. Calling the death penalty sentences "unacceptable," Cicek said he hoped the international community's reaction will come before it is too late. Earlier, an Egyptian court in Cairo sentenced Muslim Brotherhood leader Mohamed Badie and 682 other of Morsi's supporters to death after two brief sessions the defense partly boycotted. The same court also ruled to reverse 492 of the 529 death sentences it passed in March, committing most of those to life in prison. The court presided over by judge Said Youssef Sabry had sparked international outcry with its initial sentencing last month, which came amid an extensive crackdown on Morsi's supporters.

Under Egyptian law, death sentences are referred to the top Islamic scholar for an advisory opinion before being ratified. Relations between Cairo and Ankara have deteriorated since July last year when the Egyptian military toppled Morsi following enormous protests against his one-year rule. The Turkish government, led by Prime Minister Recep Tayyip Erdogan, has been a staunch backer of Morsi and his Muslim Brotherhood organization. At least 1,000 people have been sentenced since December, all in groups of 10 or more. Jail terms have ranged from six months to life, as well as the death penalty. Amnesty International says more than 1,400 people have been killed in the police crackdown since the army overthrew Morsi, Egypt's first elected and civilian leader.

## Turkey's Erdogan calls on U.S. to extradite rival Gulen

Reuters, 29.04.2014



Prime Minister Tayyip Erdogan said on Tuesday he would ask the United States to extradite an Islamic cleric he accuses of plotting to topple him and undermine Turkey with concocted graft accusations and secret wire taps.

Such a move against Fethullah Gulen, whose followers say they number in the millions, would be possible only if Turkey first issued an arrest warrant and produced evidence of a crime, according to one legal expert. But it would be arguably Erdogan's most decisive move yet in a power struggle that has posed one of the biggest challenges of his eleven year rule.

Gulen has lived in self-imposed exile in Pennsylvania since 1999, when secularist authorities raised accusations of Islamist activity. Since then he has moved from being a close ally of Erdogan to his most powerful political enemy. Asked by a reporter at parliament if a process would begin for Gulen's extradition, Erdogan said: "Yes, it will begin." In an interview with PBS talk show host Charlie Rose broadcast late on Monday, Erdogan said Gulen may also pose a threat to U.S. security by his activities. "These elements which threaten the national security of Turkey cannot be allowed to exist in other countries because what they do to us here, they might do against their host," Erdogan told Rose in the interview, according to a transcript.

Erdogan, whose ruling AK Party traces its roots to political Islam, accuses him of building a "parallel state" of followers in institutions such as the police and judiciary and using them in an attempt to seize the levers of state power. Gulen denies engineering a police graft investigation which has seen three cabinet ministers quit, but has denounced Erdogan over moves to shut down the inquiry by purging police and judiciary of his followers. Erdogan has drawn accusations of increasing authoritarianism with his response to the graft investigation, which has included removing thousands of police officers and hundreds of judges and prosecutors, as well as imposing a two-week ban on Twitter and broadening the powers of the state intelligence service.



Human Rights Watch on Monday criticized a new law giving the national intelligence agency (MIT) more scope for eavesdropping, greater immunity from prosecution for top agents and jail terms for leaks of sensitive information, saying it gave the agency “carte blanche” and was open to abuse. The government has said the law replaces outdated legislation and brings Turkey in line with international norms. German President Joachim Gauck criticized Erdogan’s leadership style during a trip to Turkey on Monday and warned against curbing freedom of expression. “Presumably he still thinks he is a clergyman,” Erdogan said of the former Lutheran pastor, adding his remarks showed a lack of statesmanship and that he was “saddened” by his attitude. “Houses belonging to Turks are burnt down with racist motivation (in Germany), then they come here to give us advice. Keep your advice to yourself,” he said.

Erdogan said Turkey had complied with more than 10 extradition requests from the United States and now expected the same response from its NATO ally. But Turkish authorities would first need to issue an arrest warrant for Gulen and produce evidence he has committed a crime, according to a 1979 treaty signed between the two countries. “If he was tried in Turkey and had been convicted, then you can send that court ruling. You can request extradition for the implementation (of that sentence),” said former European Court of Human Rights judge Riza Turmen, a deputy from the main opposition Republican People’s Party. “But none of these are currently the case,” he told Reuters.

The 1979 treaty also exempts all crimes of a “political character” unless they can be shown to have targeted either the head of state or head of government, or their families. Erdogan said Turkey had canceled Gulen’s passport and that he was in the United States as a legal resident on a green card. “As a matter of longstanding policy, the Department of State does not comment on pending extradition requests or confirm or deny that an extradition request has been made,” a U.S. embassy official said.

U.S. Ambassador Francis Ricciardone told the Hurriyet daily this month that Turkish officials in Ankara had mooted Gulen’s forcible return but there had been no formal request. Gulen runs a network of businesses and schools, well-funded and secular in nature, across the world. The schools are a major source of influence and funding and have become the target of government efforts to shut them down. “Since there is no current case against (Gulen), extraditing him would not comply with international legal principles. The comments about extradition appear to (be) for domestic politics,” said Tercan Ali Basturk, secretary general of the Journalists and Writers Foundation, a Gulen-affiliated group in Istanbul.

Erdogan accuses Gulen of contriving criminal allegations that his son and the children of three ministers were involved in a corruption scandal and took billions of dollars of bribes. He also accuses Gulen’s movement of bugging thousands of phones and leaking audio recordings, which the cleric has denied. Turkish officials have said an investigation is underway. “If there is due process, we have nothing to fear because we haven’t done anything constituting a crime,” Basturk said. “If there is no due process, everyone should be afraid as it means anyone who doesn’t think like Erdogan is at risk.”

# Turkish President Gul doesn't rule out running in August vote

Hurriyet Daily News, 02.05.2014



While refraining from openly saying whether he will run for his current post, incumbent President Abdullah Gul has given the green light to such a possibility, speaking a day after a lengthy meeting with Prime Minister Recep Tayyip Erdogan.

“When the prime minister and I are the issue, we said that we would make a decision among ourselves with regard to which of us will be candidate. No doubt, there will also be other candidates,” Gul told reporters during a visit to the Black Sea province of Zonguldak on May 2. “I guess the prime minister needs to hold further consultations, as he is in fact holding some consultations,” he also said.

Gul's remarks came a day after he hosted Erdogan for a two-hour-long dinner. Although this was a regular weekly meeting, its format and length was different than usual, leading to reports that the two comrades may have finalized their consultations with regard to naming the ruling party's candidate for the August presidential election. The election will be the first time that Turks have elected their president via direct vote.

Earlier on May 1, Erdogan had attended a meeting of his ruling Justice and Development Party's (AKP) Central Executive Board (MYK), which lasted almost two-and-a-half hours. Today he is chairing a meeting of his ruling AKP's highest decision-making body, the Central Decision and Executive Council (MKYK), the focus of which is the upcoming presidential election. In early April, President Gul stated that answers to questions over the presidential elections would become clear by the beginning of May.

## Fitch: Turkey's risks balanced, but policy still in focus

Aljazeera, 27.03.2014



Fitch has said the risks to Turkey's sovereign credit profile remain broadly balanced, as reflected in the stable outlook on its "BBB-" rating which Fitch affirmed last month.

"Turkey's willingness to make difficult policy decisions, such as the sharp hike in interest rates in January, and the economy's capacity for adjustment remain important elements of our ratings assessment," agency told. The statement cited tighter monetary policy adopted by the Central Bank to save the Turkish Lira from tumbling as the main reason behind its lower growth forecasts of 2.5% for 2014, revised down from 3.2%, and 3.2% for 2015, from 3.8%.

The government continues to target growth of 4 percent, although Deputy Prime Minister Ali Babacan said this week that while this was still attainable, domestic demand should be kept under control and the economic priority was to narrow the current account deficit, the statement read. Fitch also said it predicts the current account deficit will narrow to 6.2 percent of the GDP this year, from 8 percent in 2013. The institution also drew attention to risks of political instability as one of main concerns regarding the course of the economy. "The anti-government protests in May 2013 and the political crisis in December/January of this year showed how quickly political instability can impact perceptions of sovereign creditworthiness," the agency stressed, saying "the capacity for political risk to adversely impact government effectiveness and policy predictability is a rating sensitivity."

Fitch said "If the government were successful in increasing exports and savings, and achieving a better mix of current account financing, in particular via higher foreign direct investment, it would help address these imbalances." The agency also recalled previous attempts to adjust the current account in Turkey, which were "prompted by deep falls in the real, effective exchange rate" and said they have "often proved unsustainable, with the deficit widening again once growth picks up, reflecting a pro-growth policy bias." Fitch also noted a slowdown in portfolio entrance into the country since the Fed's tapering announcement, but said investors did not step on the brakes and "roll-over rates for corporates and banks remain high."

# Iraqis vote as violence grips a divided country

Reuters, 30.04.2014



Iraqis voted on Wednesday in their first national election since U.S. forces withdrew in 2011, with Prime Minister Nuri al-Maliki seeking a third term amid rising violence. Iraq's western province of Anbar is torn by fighting as Sunni Muslim militants battle the Iraqi military. Its economy is struggling and Maliki faces criticism that he is aggravating sectarian splits and trying to consolidate power.

Polls opened at 7 a.m., with a vehicle curfew in Baghdad. Voters are choosing from among 9,012 candidates and the parliamentary election will effectively serve as a referendum on Maliki, a Shi'ite Muslim who has governed for eight years.

The elections went off in central Iraq and the south with few hitches by mid-day, while turnout was low in Sunni regions, where residents are often afraid of the security forces and al Qaeda inspired militants. The disparities were a reminder of the deep frictions now between the country's Shi'ite majority and Sunnis. Baghdad was quiet through late morning. The roads were dotted with military checkpoints and people walked on foot to the polling stations. Humvees flanked the voting centers. Razor wire sealed off the area as people passed multiple checkpoints to go inside to vote. Several dozen army and police swarmed the street. The seeming calm was a contrast to the 2010 elections, when the capital was ripped by explosions, many of them sound bombs.

Maliki was among the first to vote in Baghdad at a hotel next to the fortified Green Zone where the government is based. He urged people to follow suit despite security threats. "I call upon the Iraqi people to head in large numbers to the ballot boxes to send a message of deterrence and a slap to the face of terrorism," Maliki told reporters. Political analysts say no party is likely to win a majority in the 328-seat parliament. Forming a government may be hard even if Maliki's State of Law alliance wins the most seats as expected, although he was confident of another victory. "Definitely our expectations are high," he said. "Our victory is confirmed but we are still talking about how big this victory will be," Maliki said. Polls close at 6 p.m.

Maliki faces challenges from Shi'ite and Sunni rivals and has portrayed himself as his majority Shi'ite community's defender against the Sunni, al Qaeda-inspired Islamic State of Iraq and the Levant (ISIL). He and his Shi'ite opponents both sought to present themselves as best suited for tackling the current fight for Anbar's two main cities of Ramadi and Fallujah. Iraq's Sunni political leaders paint Maliki as an authoritarian ruler who wants to destroy their community. His main Sunni rival, parliamentary speaker Osama al-Nujaifi, vowed after voting he would never back a third term for Maliki. "We have set red lines. We will not ally with the current prime minister in any case," Nujaifi told reporters. The parliament speaker had recently said Sunnis suffered from "terrorism and militias" under Maliki.



The mood among voters underscored division over who should guide the country in this uncertain and turbulent period. Many voters in Baghdad's prosperous and mainly Shi'ite Karrada district expressed high hopes for Maliki. "Maliki can defeat terrorism because ... he has the great asset of the people's support. He has the experience and knowledge," said Mahmoud Sadiq al Rubaie, a laborer. In other places, such as the Shi'ite slum Sadr City, more people spoke with disdain about the incumbent. "We voted according to our sect and this sectarianism will ruin Iraq," said Abu Sajjad, a taxi driver.

"If Maliki will be reelected, Iraq will be destroyed and things will get worse." In Sunni parts of the country turnout seemed low in the early part of the day, as the population in Salahuddin province, north of Baghdad, and Diyala to the east of the capital experienced violent incidents. ISIL, whose activities stretch from Iraq to Syria, has threatened to kill anyone who votes and is intent in exercising control over the Sunnis. Twelve people were killed in Sunni parts of the country in election-related violence. The most troubled province for elections remains Anbar. Iraqi forces are locked in a four-month fight for the cities of Ramadi and Fallujah. Troops surround Fallujah and are waging street battles in Ramadi.

In Ramadi, people only started venturing to the polls late in the morning. Snipers were perched on the rooftops of schools used as voting centers. Army and police patrolled the streets. The war in Anbar has displaced an estimated 420,000 people. The Iraqi electoral commission acknowledges it can only hold the election in 70 percent of Anbar, not counting Fallujah. Sunnis displaced from their homes but still living in Ramadi had to walk across the conflict-ravaged town to polling centers designated for them, according to a Reuters correspondent. Already, a prominent senior Sunni cleric Sheikh Abdul Malik al-Saadi, originally from Anbar, called for people not to vote after what he said was evidence of "violations, forgery, and intimidating voters" in favor of "one party" on Monday when soldiers cast their ballots. Among Kurds in the semi-autonomous north, voters saw the election as a chance to send a message to Baghdad that they will defend their rights. The two sides are locked in a dispute over who has the right to export Kurdish oil and what should be the Kurdish share of the national budget.

# Sisi urges big vote in Egyptian election; Islamists urge boycott

Reuters, 27.03.2014



Former Egyptian army chief Abdel Fattah al-Sisi on Sunday called for a big turnout in a presidential election he is expected to win easily, countering a call for a boycott by allies of deposed Islamist president Mohamed Mursi.

Sisi, who deposed Mursi after mass protests against his rule last July, faces only one competitor in the May 26-27 election - leftist Hamdeen Sabahi. He came third in the 2012 election won by Mursi of the Muslim Brotherhood. Sisi called on Egyptians to vote in “unprecedented numbers for the sake of Egypt”, according to an official statement outlining comments he made during a meeting on Sunday.

An alliance of Islamist parties opposed to last year’s military takeover had earlier issued a statement declaring their boycott of the election, describing it as “a farce” designed to appoint “the coup orchestrator” as president. In a statement posted on Facebook, the National Alliance to Support Legitimacy also said it would not recognise election monitoring planned by “Western supporters of the coup” - an apparent reference to the European Union, which has agreed to send an observation mission.

Sisi, who has been lionised by the Egyptian media, was widely seen as Egypt’s de facto leader after deposing Mursi. He stepped down from his position as head of the military and defence minister last month in order to run in the election. His supporters see him as the kind of strong figure needed to stabilise a country in crisis. His opponents, mostly in the Islamist opposition, see him as the mastermind of a bloody coup that robbed power from Egypt’s first freely-elected leader. Egyptians last voted earlier this year in a referendum on a new constitution. It was approved by more than 98 percent of those who cast ballots, with a turnout of 39 percent, according to official results.

# Israel, Palestinians at U.N. accuse each other of sabotaging peace

New York Times, 29.04.2014



Israeli and Palestinian envoys on Tuesday took advantage of a U.N. Security Council meeting on the Middle East to publicly blame each other for the latest breakdown in the fragile peace negotiations as the deadline for a deal expired.

Robert Serry, the U.N. special coordinator for the Middle East peace process, told the 15-nation Security Council that Israeli and Palestinian leaders should “convince each other anew they are partners for peace.” Both Israel’s U.N. Ambassador Prozor and Palestinian U.N. observer Mansour expressed a commitment to peace. But they also accused each other of undermining the most recent attempt to secure a deal.

“Israel has maintained its rejectionist stance and persisted with its grave breaches, constantly reaffirming its role as occupier and oppressor, not as peacemaker,” Mansour told the council. “Once again, Israel has thwarted peace efforts.” Israel’s envoy pinned responsibility for the suspension of peace negotiations on the Palestinians. “The Palestinians pledge dialogue while fermenting hatred,” Prozor told the council. “They promise tolerance while celebrating terrorists. And they make commitments almost as quickly as they break them.” Prozor accused the Western-backed Palestinian President Mahmoud Abbas of abandoning a chance to “tango with Israel” in favor of “waltzing off with Hamas.”

Nine months ago the United States launched new negotiations between the Israelis and Palestinians to end the decades-long conflict and help create a Palestinian state in the occupied West Bank and Gaza Strip. The talks fell apart last week, with Washington blaming both sides for failing to compromise ahead of the April 29 deadline. U.S. Ambassador Samantha Power told the council Washington will continue to support negotiations between the two sides. “We have clearly reached a difficult moment, but we continue to believe that there is only one real viable solution for the Israeli-Palestinian conflict: two states living side by side in peace and security,” she said. “If the parties are willing to go down the path - this path - we will be there to support them.”

Israel suspended the negotiations with the Palestinians in response to President Mahmoud Abbas’s unexpected unity pact with the rival Islamist Hamas group, which Israel and the United States consider a terrorist organization. Meanwhile, the Palestinian Authority is angered by Israel’s expansion of settlements on land they intend to include in a future Palestinian state and its decision to postpone the release of the last tranche of prisoners in Israeli jails. “The convergence of Israel’s bad faith in the negotiations, including its reneging on the prisoner release agreement, and its unlawful actions on the ground, particularly its intensification of settlement activities and incessant aggressions in Occupied East Jerusalem, seriously undermined the peace process,” said Mansour. Prozor made clear that Israel would not budge in its refusal to talk with Hamas.

“Anyone who wonders why Israel won’t negotiate with Hamas may as well be wondering why nobody shows up to dinner parties thrown by Hannibal Lector,” Prossor said, referring to a serial killer made popular in a series of Hollywood films. U.N. envoy Serry said both sides must compromise. “If Israel is serious about the two-state solution, it must recognize the negative impact of continued illegal settlement activity,” he said. “Palestinians in turn should be reflective of their actions in international fora.” Earlier this month Abbas signed more than a dozen international conventions, citing anger at Israel’s delay of a prisoner release in a decision that jeopardized U.S. efforts to salvage fragile peace talks. The Palestinians were eligible to sign on to the treaties and conventions after the U.N. General Assembly upgraded the Palestinians’ status at the United Nations in 2012 from “observer entity” to “non-member state,” a move widely seen as de facto recognition of an independent Palestinian state.

## Kerry to resume Mideast peace talks after a pause

Jerusalem Post, 30.04.2014



**A day before the formal end of Kerry’s quixotic, nine-month effort to broker an Israeli-Palestinian peace agreement, the Secretary of State was surreptitiously taped making a comment that provoked a political firestorm in Washington.**

**In a closed meeting with foreign policy experts, Kerry said that if there is no two-state solution soon, Israel risked becoming “an apartheid state.” Kerry was apparently referring to an argument made by liberal Israelis and European critics that if two states are not created and current demographic trends continue, Palestinians will outnumber Israelis.**

“A unitary state winds up either being an apartheid state with second-class citizens,” Kerry said on Friday, according to the Daily Beast. “Or it ends up being a state that destroys the capacity of Israel to be a Jewish state.” The comment played into longtime caricatures of the former Senator. To skeptics, it was Kerry, the egotistical former presidential candidate, committing yet another gaffe. After months of pursuing an ambitious Middle East peace settlement, Kerry was blaming Israel for his own failure. Senator Barbara Boxer, a Democrat from California, called Kerry’s statement “nonsensical and ridiculous.” Senator Ted Cruz, a Texas Republican, called for Kerry to resign.

To Kerry’s defenders, it was a high-risk, high reward Secretary of State speaking the truth about the need for a two-state solution. On Monday night, Kerry said in a statement that he never said, or suggested, that Israel was currently an apartheid state. And on Tuesday, his aides stood by the remarks, which they said was nothing more than Kerry reiterating a warning voiced by liberal Israeli politicians such as Tzipi Livni, Ehud Olmert and Ehud Barak for years. “He said what Livni, Olmert and Barak all said,” a senior State Department official close to Kerry said on Tuesday. And instead of admitting failure, Kerry would continue his Mideast negotiations after a pause of several months.



After an initial domestic political boost, the aide predicted, Israeli and Palestinian officials would be forced back to the table by the long-term need for a two-state solution. "It's a matter of time before they all come back," the aide predicted, "and want to have negotiations." Bravado aside, the stakes for Kerry are vast. He has devoted more time and prestige to the Israeli-Palestinian peace talks than any other foreign policy issue during his first year as Secretary of State. Foreign policy experts say Kerry may be stretching himself too thin. In his first year, he has traveled more than any previous Secretary of State and thrown himself at multiple complex foreign policy issues, from Syria to Russia to South Sudan.

George Perkovich, a nonproliferation expert at the Carnegie Endowment in Washington, said Kerry's work ethic was admirable but he needs to narrow his focus and rely more on others. "You have to admire his willingness to risk his prestige and reputation in taking on the hardest challenges," Perkovich said. "At some point, you have to make strategic priorities and realize that solving big problems requires real sustained campaigns and mobilizing parts of the government. You can't just get on a plane and do it yourself." The continued pursuit of fruitless Middle East peace talks could undermine his credibility in other parts of the world and eventually even could scuttle his tenure as secretary, experts say. Aaron David Miller, a former U.S. State Department peace negotiator now at the Wilson Center in Washington, said a separate danger was that the Israelis and Palestinians will use Kerry. He said both sides appear unwilling to make the difficult compromises needed for a final settlement.

But they were happy to drag on the talks for their own reasons. They allow Israel to avoid international condemnation, Miller said. And they allow the Palestinians to retain a degree of support from the United States. "If, in fact, there is no real traction on the substance, he (Kerry) starts to become part of the political furniture for the Israelis and Palestinians," Miller said. "They start to take him for granted and they start to use his presence." Ghaith Al-Omari, executive director of the Washington-based American Task Force on Palestine, said the failure of the talks was not due to missteps by Kerry. Instead, it was the result of complex Israeli and Palestinian domestic political dynamics that make historic concessions difficult. Regional powers Saudi Arabia and Egypt are also distracted by their struggles with Iran and the Muslim Brotherhood and less likely to give political cover to the Palestinians. "I think it was less of a failure of negotiations, more of when we came to the moment of decision," he said. "The leaders weren't ready and their political environments weren't ready."

Al-Omari also played down fears of renewed violence. He said that there were several differences between the current situation, and the collapse of talks in 2000. Among the differences are Palestinian President Mahmoud Abbas' long-stated opposition to using violence as a tool to advance the Palestinian cause and that the United States, so far, has not blamed either side for the unraveling of the process. In contrast, former U.S. President Bill Clinton made no secret of his view in 2000 that the Palestinian side had been the more intransigent. Palestine Liberation Organization Chairman Yasser Arafat was more willing to employ, tolerate or encourage violence. "Clinton did not create an exit ramp for anybody," Al-Omari said. "He did not leave any exit ramps." Al-Omari added that he believed a return to talks was possible. "It is not dead yet and therefore I would not exclude the possibility of some revival of the negotiations," he said. "Although the old challenges would remain - the regional and the political challenges." Kerry, for his part, left Washington on Tuesday night for a week-long trip to Africa. An aide said he was showing "strategic patience" when it comes to the Middle East and "very serene and sanguine about it all."

# Afghan and foreign forces kill 60 near Pakistan border

The Guardian, 30.04.2014



Afghan troops backed by Western air power have killed at least 60 militants near the Pakistan border, Afghan security officials said on Wednesday, in one of the single biggest assaults against the Taliban-linked Haqqani network. U.S. officials say Washington has intensified its drive against the network in an attempt to deal a lasting blow to the militants before foreign combat forces depart at the end of the year.

The National Directorate of Security of Afghanistan said in a statement that about 300 Haqqani insurgents and foreign fighters came under intensive fire on Monday when they tried to storm Afghan bases in Ziruk district of Paktika province.

Interior Ministry spokesman Sediq Sediqqi said Afghan forces were already in position after receiving information about imminent attacks by the insurgents. “Hundreds of insurgents tried to take over the district centre but we were there and hit them with a huge blow,” Sediqqi told Reuters, adding that five Afghan policemen were wounded. “Dead bodies, wounded fighters, their weapons and pick-up trucks were left on the battlefield,” Sediqqi added. The NATO-led international force declined to comment.

The Haqqani network, which professes obedience to Taliban leader Mullah Mohammad Omar, is believed to have been involved in some of the most deadly attacks of the Afghan war. The group has been blamed for attacks on hotels popular with foreigners in Kabul, the bombing of the Indian embassy in the capital, a 2011 attack on the U.S. embassy and several big attempted truck bombings. The United States blacklisted the group as a terrorist organization in 2012. It also accuses Pakistan’s powerful spy agency of supporting the network and using it as a proxy in Afghanistan to gain leverage against growing influence of its arch-rival India. Pakistan denies that. Monday’s battle occurred in the southeast province of Paktika which shares a long and porous border with lawless areas in Pakistan where foreign fighters and the Haqqani network are believed to be based.

The Obama administration has created a special unit based in Kabul to coordinate efforts against the militant group, officials familiar with the matter have told Reuters. It was set up late last year, as part of a new strategy that involves multiple government agencies. The unit, headed by a colonel and known in military parlance as a “fusion cell”, brings together special forces, conventional forces, intelligence personnel, and some civilians to improve targeting of Haqqani members and to heighten the focus on the group, the officials said. The U.S.-led military operation in Afghanistan is due to end on December 31, although the United States wants to keep a small force in the country for counter-terrorism support and training.

## Russia says gas debt talks with EU, Ukraine planned for May 2

Reuters, 28.04.2014



Russia's energy minister and EU Energy Commissioner have reached a tentative agreement for three-way talks between Russia, Ukraine and the EU on Ukraine's debt to Moscow for gas to be held later this week, the Russian ministry said.

"The meeting is planned for May 2 in Warsaw," the Russian Ministry said. Russia had earlier proposed the talks be held on Monday in Moscow. President Putin has warned that Russia could halt supplies to Ukraine over non-payment of more than \$2bn in debt for gas, potentially reducing deliveries to European customers who receive gas via pipelines in Ukraine.

## Putin sees no need to sanction West, may review energy ties

Reuters, 29.03.2014



Russian President Vladimir Putin said on Tuesday that Moscow saw no need for counter sanctions against the West, but could reconsider the participation of Western companies in its economy, including energy projects.

"We would very much wish not to resort to any measures in response. I hope we won't get to that point," President Putin told reporters after meeting with the leaders of Belarus and Kazakhstan. "But if something like that continues, we will of course have to think about who is working in the key sectors of the Russian economy, including the energy sector, and how."

The United States on Monday unveiled a new round of sanctions aimed at business leaders and companies close to Putin, while the European Union followed up on Tuesday by naming 15 Russians and Ukrainians to its blacklist, moving to freeze assets and deny visas. "Regarding the second package, it's not clear at all what this is linked to, because there is no cause and effect link with what is happening now in Ukraine and Russia," he said. Though some Western oil companies left Russia in recent years because of a difficult business climate, U.S. companies Exxon Mobil and Chevron Corp, along with British major BP, have significant ties there.

Igor Sechin, the head of state-controlled Rosneft, was named in the latest U.S. sanctions, though not his company, in which BP holds an 18.5 percent stake. In Russia, Exxon Mobil's net acreage holdings in Sakhalin at the end of 2013 totaled 85,000 acres, all offshore, and its net acreage in the Rosneft joint venture agreements for the Kara and Black Seas was 11.3 million acres. The two companies also have a joint venture to evaluate the development of tight-oil reserves in western Siberia.

In the United States, Rosneft unit Neftegaz in March 2013 bought a 30 percent stake in 20 deepwater exploration blocks held by Exxon in the U.S. Gulf of Mexico. Exxon Mobil declined to comment on Putin's latest comments on Tuesday. Meanwhile, Chevron Corp owns a 15 percent stake in the Caspian Pipeline Consortium, which transports crude oil from Kazakhstan through Russia to the Black Sea. The company also sells lubricants in Russia used in engines for ships and agricultural equipment. Chevron declined to comment on Putin's latest statements, but said it was monitoring the region closely.

Putin reiterated his accusations that the United States was orchestrating the Ukraine crisis and urged Kiev and pro-Russia protesters to respect the Geneva agreements, reached on April 17 and intended to defuse the crisis, and sit down at the negotiation table. The United States and European Union accuse Moscow of orchestrating an uprising of pro-Russian separatists in southeastern Ukraine. The crisis has brought relations between the West and Russia to their lowest since the end of the Cold War.

## Russia disappointed by Japan's sanctions, says it will respond

Reuters, 29.03.2014



Russia voiced disappointment on Tuesday over Japan's decision to impose visa bans on 23 people over the crisis in Ukraine and promised to respond to what it called a "clumsy step" taken by Tokyo under pressure from the West. "Tokyo's decision ... is viewed with disappointment and, naturally, will not go unanswered," Russian Foreign Ministry spokesman Alexander Lukashevich said in a statement.

"Step was clearly taken under outside pressure and goes against Tokyo's declarations about the importance of developing ... relations with Russia. We want to underscore: It is counterproductive to speak to us through sanctions."

## Kerry: NATO territory inviolable

Reuters, 29.04.2014



The United States said on Tuesday Washington and its allies would stand united in their support of Ukraine, while warning Russia that NATO territory was inviolable and the alliance would defend every piece of it.

“Today Russia seeks to change the security landscape of Eastern and Central Europe,” U.S. Secretary of State John Kerry said in a speech in Washington referring to Russia’s occupation of Crimea and the threat it posed to eastern Ukraine. “Whatever path they (Russia) choose, I can guarantee this: the United States and our allies will stand together in support of Ukraine,” Kerry said.

“And most important, together we have to make it absolutely clear to the Kremlin that NATO territory is inviolable. We will defend every single piece of it,” he added. “Article V of the NATO treaty must mean something, and our allies on the frontline need and deserve no less,” Kerry said, referring to the NATO agreement that any attack on one member is an attack on all. NATO, the 28-member alliance dominated by the United States, has made clear it does not plan to get involved militarily in Ukraine, which is not a NATO member. But it announced plans last week to send more ships, planes and troops to eastern Europe to reassure members of the alliance, particularly the ex-Soviet republics in the Baltics, worried by Russia’s annexation of Ukraine’s Crimea region.

In a call to NATO members, Kerry said it was time for allies whose spending was below the NATO benchmark of 2 percent of GDP to make “credible commitments” to increase their spending over the next five years. Kerry said the United States and its European allies had tried over the years to engage with Russia. “But what Russia’s action in Ukraine tell us, is that today; (President Vladimir) Putin’s Russia is playing by a different set of rules.”

He said that while Ukraine had acted immediately to implement an agreement to de-escalate the crisis reached in Geneva on April 17 “not one single step has been taken by Russia in any public way that seriously attempts to live by the spirit or the law of what was assigned in that agreement.” Kerry, who spoke at a Washington think tank event attended by ministers from several EU and NATO countries, said the United States and its allies had to ensure European countries were not dependent on Russian energy supplies.

# Putin says sanctions jeopardize U.S., EU energy deals

Bloomberg, 29.04.2014



Russian President Vladimir Putin warned that further economic sanctions over the Ukraine crisis may lead Russia to reconsider participation by U.S. and European Union companies in energy and other key industries.

While his government has prepared measures to retaliate for penalties imposed by the U.S. and its allies, Putin told, yesterday that he doesn't consider them necessary for now, though that may change. If sanctions continue, "then of course we will have to consider who's working and how in the Russian Federation, in the key sectors of the Russian economy, including energy," he said.

Putin's remarks added uncertainty for companies that have stakes in Russia's energy industry, including Royal Dutch Shell Plc and Exxon Mobil Corp. (XOM), which is planning Arctic drilling in an alliance with Russian state-controlled OAO Rosneft. (ROSN) The Russian leader spoke hours after the EU expanded penalties against people close to Putin and companies tied to them, following similar steps a day earlier by the U.S., which yesterday called separatist violence in Ukraine's east "terrorism, pure and simple." The EU and the U.S. say Russia hasn't lived up to an accord signed April 17 in Geneva intended to defuse the confrontation between the Ukrainian government and separatists supported by the authorities in Moscow. They've both warned that they'll levy penalties on entire Russian industries if Putin escalates by sending troops into Ukraine.

The EU added Russian Deputy Premier Dmitry Kozak to a list of people facing travel bans and asset freezes along with others including pro-Russian separatist leaders, according to a statement yesterday in the EU's Official Journal. The U.S. on April 28 targeted seven people, including Kozak and Igor Sechin, head of Rosneft, and 17 companies linked to Putin allies, such as InvestCapitalBank. Russian markets slid today after a two-day rally in the wake of the penalties. The Micex Index (INDEXCF) fell 0.2 percent to 1,302.79 at 11:04 a.m. in Moscow today, bringing its year-to-date loss to more than 13 percent. The ruble lost 0.1 percent to 41.8383 against its basket of euros and dollars. It's down more than 8 percent this year, the second-worst performer among 24 emerging-market currencies tracked by Bloomberg.

The EU said that the people on its list are "responsible for actions which undermine or threaten the territorial integrity, sovereignty and independence of Ukraine." The latest names, which also include Valery Gerasimov, chief of the general staff of Russia's armed forces, and Igor Sergun, head of the main intelligence directorate, bring the number of people blacklisted to 70. Kozak, 55, is overseeing the development of Crimea, the Black Sea peninsula that Russia annexed from Ukraine. EU preparations for "stage three" measures that would affect broader sectors of the Russian economy are "very advanced," Maja Kocijancic, spokeswoman for European foreign-affairs chief Catherine Ashton, said on April 28 in Brussels.



“The shift toward tier three would be in the event of a very, very serious escalation of the type that you might associate with direct military invasions,” Jean-Christophe Gray, spokesman for U.K. Premier David Cameron, said in London. The sanctions are “forcing Russia to pay a steep price” for its role stoking tensions in Ukraine, U.S. Secretary of State John Kerry said yesterday in Washington. U.S. companies are prohibited from doing business with individuals and entities on the sanctions list, and all assets of those designated that are within U.S. jurisdiction must be frozen, according to the U.S. Treasury Department. The U.S. and its allies blame Russia for instigating the conflict in Ukraine that led to Russia’s annexation of Crimea and the seizure of government buildings in eastern Ukraine. The North Atlantic Treaty Organization says Putin has massed about 40,000 troops on Ukraine’s border.

Separatists continued to seize more buildings in eastern Ukraine today. Some 20 gunmen in camouflage fatigues seized the city council building and the regional police headquarters in the city of Horlivka, news service Interfax reported today. That followed the storming of the regional administration building by hundreds of activists wielding sticks and waving Russian flags yesterday in the city of Luhansk, where the police chief quit over protesters’ demands. Russia is undertaking a “covert occupation” of the country’s eastern regions, Foreign Minister Andriy Deshchytsia said in an interview with news service Interfax. He added that the Kiev-based government would handle the unrest on its own. After international military observers were abducted by pro-Russian militants in the eastern town of Slovyansk last week, Russia’s Foreign Ministry said yesterday in a statement that it’s taking “practical steps” to secure their release. The separatists said Ukrainian authorities hadn’t contacted them about the hostages’ release, the Donetsk militia commander, Igor Strelkov, told Russian state TV.

The U.S. condemned “the separatists’ taking of hostages, both Ukrainians and international monitors, some of whom have been brutally beaten,” the U.S. Embassy in Kiev said in a statement yesterday. “This is terrorism, pure and simple.” Kerry said “we see no evidence -- no evidence at all -- that Russia has actually pressured” separatists to release the international observers. Most companies on the latest U.S. list are tied to Gennady Timchenko or brothers Arkady and Boris Rotenberg, who were placed on a sanctions list on March 20. They include the Volga Group, controlled by Timchenko, and InvestCapitalBank and SMP Bank, which are controlled by the Rotenbergs.

One of the most prominent individuals on the list is Sechin, 53, a Putin colleague at the St. Petersburg mayor’s office before rising to become head of state-run Rosneft. Over the past decade he’s built it into the world’s largest publicly traded oil company by output and reserves. Rosneft, in which British oil company BP Plc (BP/) owns 20 percent, isn’t being sanctioned. The EU has been reluctant to impose broader sanctions because of the potential harm to its member states, which rely on Russia for energy imports. Germany, Europe’s largest economy, had \$89 billion in trade with Russia in 2012. Chinese Foreign Ministry spokesman Qin Gang urged the U.S. to stop sanctions against companies and individuals today.

# Russia's Lavrov scolds U.S., EU for imposing sanctions

Kyiv Post, 30.03.2014



Russian Foreign Minister slammed the US and EU for imposing sanctions over the Ukraine crisis, saying they were the work of weak politicians in the West “attempting to blame others.” The EU on Tuesday announced asset freezes and travel bans on 15 Russians and Ukrainians over Moscow’s actions in Ukraine, one day after the US imposed sanctions on 7 Russians and 17 companies linked to President Putin.

“We reject sanctions in any of our relationships, in particular those sanctions that were sponsored by the US and the EU, which defy all common sense, regarding the events in Ukraine,” Lavrov said.

“The attempts to blame others is the result of weak politicians or rather of those politicians who understand that their geopolitical ambitions have failed, and they are attempting to blame others,” Lavrov said. Russia annexed the Crimea region after Ukraine’s pro-Moscow president was ousted in February by protesters demanding closer links with Europe. Kiev and the West accuse Russia of stirring up a separatist campaign in the east of Ukraine, a charge Moscow denies.

Cuban Foreign Minister Bruno Rodriguez and Nicaragua’s President Daniel Ortega, who Lavrov met in Managua later on Tuesday, both voiced support for Russia’s opposition to sanctions. “The path forward isn’t one of sanctions or pressures, the path forward is one of dialogue that respects international law,” said Ortega, a long-time antagonist of the United States.

Lavrov is on a long-scheduled trip to Latin America this week. Cuba has stood with Moscow, formerly the closest of allies and a crucial economic supporter of Cuba in the days of the Soviet Union. Rodriguez also raised the issue of NATO expansion, calling it a “grave threat to international peace and security.” “Cuba energetically rejects the imposition of sanctions against Russia, knowing that those who impose them are the same governments that have launched wars of conquests that intervene in the internal affairs of sovereign countries and provoke the destabilization of governments that don’t go along with their interests of domination,” Rodriguez said.

# Ukraine vows to stanch separatism as militants spread

Bloomberg, 30.04.2014



Ukraine's acting president vowed to create a special police force to stanch the spread of separatism in the country's east, vowing to overcome unrest he says is stoked by Russia and hold a May 25 election.

Following an expansion of sanctions against people and companies linked to Vladimir Putin's inner circle this week, the Russian president warned that further economic penalties over the crisis in Ukraine may lead his government to reconsider participation by U.S. and European Union companies in his country's energy and other key industries.

Russian forces, estimated by NATO to number about 40,000, continue to concentrate on Ukraine's border, Turchynov said. The government has fired the heads of state security in areas where the unrest was taking place, he said, calling on "patriots to sign up to serve as police in those regions." Along with the U.S. and EU, the government in Kiev says Putin has infiltrated the country's eastern regions with agents and covert military forces to create unrest in what may be a precursor to an invasion, a tactic it used in its 2008 war with Georgia, Ukraine's envoy to the United Nations said yesterday. "Unfortunately, we are deeply concerned that the scenario which is prepared for eastern Ukraine might be similar to the one implemented by Russia in Abkhazia," Yuriy Sergeyev.

About 1,000 gunmen have seized buildings in more than 10 cities in eastern Ukraine, according to the country's Interior Ministry. About 20 seized the Horlivka city council and regional police headquarters today, Interfax said. Yesterday, hundreds of activists wielding sticks and waving Russian flags stormed the Luhansk regional administration. A member of the eastern Donetsk region's electoral commission was abducted, Unian cited the deputy head of the commission Andriy Mahera as saying today. The U.S. condemned "the separatists' taking of hostages, both Ukrainians and international monitors, some of whom have been brutally beaten," the U.S. Embassy in Kiev said in a statement yesterday.

"This is terrorism, pure and simple." While Putin's government has prepared measures to retaliate for penalties imposed by the U.S. and its allies, Putin told reporters in Minsk, Belarus, yesterday that he doesn't consider them necessary for now, though that may change. If sanctions continue, "then of course we will have to consider who's working and how in the Russian Federation, in the key sectors of the Russian economy, including energy," he said. "We really don't want to take these reciprocal steps." "If this kind of situation continues, of course we will have to start looking at who is doing what in Russia in different sectors of our economy, including the energy sector," he said. "We really have no desire to resort to these kinds of measures, take our own steps in response, and I hope that things do not reach this point."

Putin's remarks added uncertainty for companies that have stakes in Russia's energy industry, including Royal Dutch Shell Plc and Exxon Mobil Corp. (XOM), which is planning Arctic drilling in an alliance with Russian state-controlled Rosneft. (ROSN) The latest names on the EU sanctions list include Valery Gerasimov, chief of the general staff of Russia's armed forces and Igor Sergun, head of the main intelligence directorate, bring the number of people blacklisted to 70. Both the U.S. and EU have said they'll extend sanctions to cover industries in the Russian economy, possibly including banks and energy, if Putin escalates the crisis. U.S. companies are prohibited from doing business with individuals and entities on the sanctions list, and all assets of those designated that are within U.S. jurisdiction must be frozen, according to the U.S. Treasury Department.

Most companies on the latest U.S. list are tied to Gennady Timchenko or brothers Arkady and Boris Rotenberg, who were placed on a sanctions list on March 20. They include the Volga Group, controlled by Timchenko, and InvestCapitalBank and SMP Bank, which are controlled by the Rotenbergs. Sechin, 53, was a Putin colleague at the St. Petersburg mayor's office before rising to become head of state-run Rosneft. The company, in which British oil company BP Plc (BP) owns 20 percent, isn't being sanctioned. The EU has been reluctant to impose broader sanctions because of the potential harm to its member states, which rely on Russia for energy imports. Germany, Europe's largest economy, had \$89 billion in trade with Russia in 2012.

## China restates opposition to sanctions on Russia over Ukraine

Kyiv Post, 28.04.2014



China's foreign ministry on Monday restated its opposition to placing sanctions on Russia over the crisis in Ukraine, after leaders of the Group of Seven (G7) major economies agreed to swiftly impose further punitive measures.

Ministry spokesman Qin Gang said China had "maintained communication" with all sides since the outset of the Ukraine crisis, including the G7 countries, and explained its position. "On the issue of international relations, China has consistently opposed threatening or imposing sanctions. We believe that sanctions are not conducive to an issue's resolution, and may worsen tensions," he told.

# Ukrainian troops launch Slavyansk assault, reports say

The Guardian, 02.05.2014



Ukrainian government forces were on Friday said to be conducting operations around the city of Slavyansk in the country's east, with pro-Russia separatists claiming a "large-scale" assault to retake the town was under way. Reuters photographer said he saw a military helicopter open fire on the outskirts of the town and a reporter heard gunfire. Fighting was being reported at checkpoints.

Vyacheslav Ponomarev, regarded by the pro-Russia insurgents as mayor of Slavyansk, said two helicopters were shot down and a pilot taken hostage. Details could not be independently confirmed.

Slavyansk is 100 miles (160km) west of Russia. Seven European observers from the Organisation for Security and Cooperation in Europe remain held by pro-Russia gunmen in the city. Armed groups seeking union with Russia have seized a number of government buildings in towns in eastern Ukraine. Vladimir Putin, the Russian president, on Thursday called for Ukrainian troops to pull out of the south-east in a conversation with Angela Merkel. The Russian president said military withdrawal, an end to violence and a national dialogue were the key issues in Ukraine, according to a Kremlin briefing on the phone conversation.

A spokesman for Merkel said the focus of the call had been the German chancellor asking for Putin's assistance in freeing seven observers from the Organisation for Security and Co-operation in Europe who are being held by pro-Russia separatists in eastern Ukraine. The Kremlin said Merkel initiated the call. A crowd of pro-Russians hurling rocks and Molotov cocktails took control of the prosecutor's office in Donetsk on Thursday as Kiev's hold on the east continued to ebb away. Several of the 100 police officers guarding the building were injured and in some cases severely beaten as they were stripped of their weapons and shields.

The pro-Russians hoisted the Russian flag, barricaded the front door and burned Ukrainian symbols in the street. The Russian foreign ministry said earlier on Thursday that a proposal from Ukraine's prime minister, Arseniy Yatsenyuk, to hold a poll on Ukrainian unity and territorial integrity was a sham that would only deepen the crisis in the country. On Wednesday Yatsenyuk said the Kiev government would send to parliament a law on conducting the nationwide poll on 25 May, when the country is also due to hold a presidential election. The Russian foreign ministry said the plans were "cynical" given what it said was Kiev's military operation against "its own people".

# Putin urges Ukraine to withdraw troops as unrest persists

Bloomberg, 02.05.2014



Russian President Vladimir Putin urged Ukraine to withdraw forces from its easternmost regions as the International Monetary Fund warned that extra financing may be needed if control of the industrial heartland is lost.

In a telephone call yesterday with German Chancellor Angela Merkel, Putin also demanded an end to violence gripping cities in southeastern Ukraine, according to a Kremlin statement. The Ukrainian conflict will top the agenda when Merkel and U.S. President Barack Obama meet today in Washington, according to White House spokesman Jay Carney.

“We expect to continue a path that sees an international coalition escalating the costs that Russia will have to endure” if it “continues to destabilize the situation in eastern Ukraine and southern Ukraine, or even goes further and uses its forces to cross the border,” Carney told reporters yesterday. Ukraine no longer controls the eastern city of Donetsk, Acting President Oleksandr Turchynov said on April 30. The U.S. and European Union accuse Russia of stoking the turmoil, which has worsened even after they ratcheted up sanctions on Russian interests. Russia says Ukraine’s rulers must listen to complaints in the east and cede powers to the regions.

The IMF, which approved a \$17 billion bailout for Ukraine on April 30, said yesterday that “a significant recalibration of the program” might be required if the situation worsens. The lender predicts Ukraine’s economy will contract by 5 percent this year before rebounding in 2015 with 2 percent growth. In Ukraine, armed men stormed the Donetsk regional prosecutors’ office yesterday, throwing stones and stun grenades. Russian forces, estimated by NATO to number about 40,000, continue to mass on Ukraine’s border, said Turchynov, who signed a decree to reinstate a military draft. As many as 1,000 gunmen have seized buildings in more than 10 cities in eastern Ukraine, according to the Interior Ministry, while Gennady Kernes, mayor of Kharkiv, is in a hospital in Israel where he was transferred after being shot.

In the city of Slovyansk, pro-Russian rebels said they had begun talks to swap international monitors abducted last week, the Interfax news service reported. The militants freed two hostages, though they still have 50 more, including eight from the Organization for Security and Cooperation in Europe. Vyacheslav Ponomarev, the city’s self-appointed mayor, said he’s in discussions with the government in Kiev to swap the OSCE monitors for his captured allies, according to Interfax. During their call yesterday, Merkel appealed to Putin for help in freeing the observers. While Merkel urged Putin to intervene, according to a German government statement, the Kremlin cited the Russian president as telling the chancellor the “most important” thing now is for Ukraine to remove its troops from the east. In Moscow, Putin celebrated May 1 with a return to Soviet-era traditions in the shape of a parade by unions and medals for “heroes of labor” awarded in the Kremlin.



In the first Labor Day march across Red Square since the Soviet Union collapsed, workers carried banners saying "I'm proud of my country," "In Putin we trust," and "We're going to vacation in Crimea." The U.S. and Europe are threatening industries such as banking and energy if Putin doesn't calm the crisis. Putin has warned the U.S. and the EU that further sanctions may trigger a response against foreign companies in Russia's energy and other industries. In Washington, the head of the U.S. Senate Armed Services Committee urged Obama's administration to expedite aid promised to Ukraine and provide further support, including body armor and fuel, for the country's military. Senator Carl Levin, a Michigan Democrat, also said the U.S. should pursue tougher sanctions on Russian interests, including the energy and banking industries.

He also called for working with European allies to ease their dependency on natural gas from Russia to keep the government in Moscow from using energy "to coerce not only Ukraine, but also many of its neighbors." Russia is suffering from the crisis. Its economy is in a recession and may only expand 0.2 percent this year, according to Antonio Spilimbergo, the IMF's mission chief for Russia. The ruble is down 7.6 percent against the dollar this year, the second-worst among 24 emerging-market currencies tracked by Bloomberg.

With the crisis straining Ukraine's shrinking economy, the government will get an immediate \$3.2 billion disbursement under the IMF program to help it meet the \$9 billion in debt payments it's facing this year. The loan approval unlocks a total of \$27 billion in international aid. The Washington-based lender's staff said in an e-mailed report that more financing would be needed if there was "a long-lasting disruption of relations with Russia that depresses exports, investment, and growth or loss of economic control over the east that reduces budget revenue." Ukraine's three eastern regions accounted for 30 percent of industrial output last year, according to the IMF.

## IMF Warns Ukraine of necessary ties with Russia

Natural Gas Europe, 01.05.2014



Ukraine needs to get back in touch with Russia to avoid additional support from the International Monetary Fund, also after the international body approved its plan for Kiev. 'A long-lasting disruption of relations with Russia that depresses exports, investment, and growth or loss of economic control over the east that reduces budget revenue would require a significant recalibration of the program and additional financing, including from Ukraine's bilateral partners,' wrote the fund on Thursday.

The Executive Board of the IMF approved a two-year Stand-By Arrangement for the country amounting to US\$17.01 bn.



# Announcements & Reports

## ► *Crimea's Demonstration Effect in Asia*

**Source** : Center for Strategic and International Studies

**Weblink** : <http://csis.org/files/publication/Pac1422.pdf>

## ► *Lessons from Abroad for the U.S. Entitlement Debate*

**Source** : Center for Strategic and International Studies

**Weblink** : [http://csis.org/files/publication/140324\\_Jackson\\_LessonsFromAbroad\\_Web.pdf](http://csis.org/files/publication/140324_Jackson_LessonsFromAbroad_Web.pdf)

## ► *New Perspectives in Foreign Policy*

**Source** : Center for Strategic and International Studies

**Weblink** : [http://csis.org/files/publication/140326\\_new\\_perspectives\\_issue6.pdf](http://csis.org/files/publication/140326_new_perspectives_issue6.pdf)

## ► *Middle East Daily Bulletin*

**Source** : ORSAM

**Weblink** : [http://www.orsam.org.tr/tr/trUploads/OrtadoguBulteni/2014327\\_27%20Mart%202014.pdf](http://www.orsam.org.tr/tr/trUploads/OrtadoguBulteni/2014327_27%20Mart%202014.pdf)



# Upcoming Events

## ► *European Energy Horizons 2014*

**Date** : 8 May 2014  
**Place** : Stockholm - Sweden  
**Website** : <http://www.economistinsights.com/energy/event/european-energy-horizons-2014?region%5B4%5D=4&region%5B7%5D=7>

## ► *3rd World Turkic Forum*

**Date** : 28 – 30 May 2014  
**Place** : Edirne – Turkey  
**Website** : [http://www.tasam.org/en/Etkinlik/579/3rd\\_world\\_turkic\\_forum](http://www.tasam.org/en/Etkinlik/579/3rd_world_turkic_forum)

## ► *4<sup>th</sup> Global Conference Forum for Economists International*

**Date** : 30 May 2014  
**Place** : Amsterdam - Netherlands  
**Website** : <http://www.f4ei.org/>

## ► *The 5th International Conference on Business and Economics 2014*

**Date** : 1-3 June 2014  
**Place** : Madrid - Spain  
**Website** : <http://www.icbe.co>

## ► *World Water Conference*

**Date** : 11 November 2014  
**Place** : Edirne - Turkey  
**Website** : <http://www.economistinsights.com/sustainability-resources/event/world-water-forum?region%5B4%5D=4&region%5B7%5D=7>