

## Turkish Lira, the champion loser against the dollar

Hurriyet Daily News, 15.04.2015



The dollar/Turkish Lira parity went above the 2.68 level at mid-week last week and it has shown a tendency to remain in the 2.75 lira band. The Central Bank had to make a written intervention in this situation and “challenged” that in its April 22 meeting; they would make a decision for deterrence from the dollar.

Despite this, it was said that the Central Bank’s selling of foreign currency from the reserve and other efforts would not be very effective and after crossing the psychological 2.65 lira border, for the dollar to remain in the 2.80 lira band was highly probable.

The U.S. dollar which started 2015 at 2.32 liras rapidly gained value in the following three-and-a-half months. The lira with its 17 percent devaluation in three-and-a-half months was the local currency that lost the most against the dollar. Even the loss of the local currency that was the closest to the lira in depreciation, the Brazilian real, remained at 14.3 percent. The EU’s emerging peripheral country, the Czech Republic’s koruna, lost less than 12 percent while the Polish zloty lost 6 percent and the Hungarian forint 5.4 percent. Devaluations in other developing countries were limited. The South African rand lost less than 3.5 percent, the Indonesian rupiah less than 3 percent and the Mexican peso around 2.3 percent.

The resilience against the dollar of the currencies of other emerging countries in the first three-and-a-half months is also noteworthy. The Russian ruble was able to stop the loss of blood against the dollar in 2015 by both decreasing its political risks and increasing interest rates. It can be seen that it has made up for the 16 percent of its losses against the dollar. Among emerging countries, India is one of those that were able to hold their currencies strong against the dollar and in 2015 the rupee has gained 1.6 percent in value. Other Asian currencies can also be considered in this category. The Thai baht, the Korean won and the Philippines peso did not lose value against the dollar in 2015, compensating their 2014 losses slightly. These countries are preferred by those international funds that are leaving Turkey. The Japanese yen maintained its value against the dollar in the first three-and-a-half months of 2015. The Chinese yuan also has not yet made a devaluation move against the dollar. The situation is different for the euro; in 2015, the loss of the euro against the dollar has exceeded 11 percent. The positive contribution of this to the EU exportation is the other side of the medallion.

The reason why the lira among all the other local currencies has lost the most value can be explained by the political risk Turkey is going through, economic fragility, geopolitical risk and the U.S. Fed’s upcoming raise in interest rates.



Elections surveys for the June 7 elections do not give any clear results for the future of the ruling Justice and Development Party (AKP) government. This is considered an important factor why foreign capital is leaving. In the case the Peoples' Democratic Party (HDP) crosses the 10 percent threshold, the AKP may weaken and thus the possibility of a coalition government may emerge. These risks reflect on the current level of the lira.

A summary of the risks can be compiled from a report issued by International Credit Rating Agency Moody's on April 5. Moody's did not change Turkey's rating and outlook. It did not announce a credit score this April, as it also had not in August 2014 and December 2014. In May 2013, Moody's had evaluated Turkey with a Baa3 credit rating following Fitch, which corresponds to the "investigable" level, then in April 2014 it changed Turkey's outlook from stable to negative.

Important points in the report are as follows: 1) While Moody's is evaluating Turkey's institutional power, it said that main regulatory institutions lacked independence and that those institutions may be considered as having weak credibility. 2) According to Moody's, Turkey is always open to risks and is fragile. This vulnerability is associated with the tense political environment and the foreign financing position related to this. Moody's said Turkey was open to geopolitical risks due to the ongoing civil war in Syria and the crisis in Iraq. Also the risk of a breakdown in the peace process makes Turkey's economy fragile. The report does not see an upward move in Turkey's credit rating possible in the short-term due to the size of its foreign imbalances. 3) According to Moody's report, in the case the recovery observed in the public debts in the past few years reverses and in the case that foreign capital inflow halts or its risks increases and/or important institutional changes are made that would weaken the investment environment of Turkey, then there would be a downward pressure on the credit rating of Turkey.

One other important factor that causes a loss of appetite for foreigners is the fact that Deputy Prime Minister Ali Babacan will leave the helm of the economy. Prime Minister Ahmet Davutoğlu said the other week it would not be correct to assume a crisis would erupt in the country because Babacan would not be in the cabinet after the June 7 elections because of the party's internal three-term ban. The prime minister said there could be a non-deputy person taking up a ministerial position but new people should be given opportunities, signaling that Babacan may not be included in the cabinet. According to a Reuters story based on AKP sources, the former head of Istanbul Bourse, İbrahim Turan, may replace Babacan as the state minister in charge of the treasury.

The main reason for the U.S. dollar to gain value in a broad band is considered as the U.S. Fed's making its first rate increase this year, and is thus expected to dissociate from other developed countries in terms of interest rate. After the minutes of the March 17-18 Federal Open Market Committee (FOMC) meeting were released, perceptions started differing. According to the minutes of the meeting that was held before the non-agriculture employment data was made available, some participants said interest rates should be raised in June, while the majority of other participants said the interest rate hikes should be done in the remaining part of the year.

According to the minutes, a couple of members said the economy would not be ready for interest rate increases until 2016. The fact that the FOMC meeting was held before the non-agriculture employment data of March was disclosed and that Fed officials revised the benchmark interest rate estimates of the end of 2015 from 1.1 percent to 0.6 percent at the meeting were regarded as a sign that interest rate increases in June were quite a weak possibility.

Nevertheless, the mention of the possibility of interest rate hikes in June in the FOMC minutes created a perception that it will have a strengthening effect on the dollar in the markets. However, even if interest rate hikes start in June, latest developments point to a gradual increase. Especially the International Monetary Fund (IMF) is warning the U.S. administration as such and reminding of the possibility of a capsizing of the “global village” due to harsh waves. As a matter of fact, New York Fed head William Dudley said in his speech last week that when interest rate hikes start the increase will likely be “shallow.” All these domestic and international dynamics indicate fluctuations will continue until June 7, the devaluation of the lira against the dollar may continue as well and the Central Bank’s counter-movements may not be as effective as they are hoped to be.

## Ministry: FDI in Turkey was \$2.7 billion in first two months of year

Anadolu Agency, 21.04.2015



Turkey received a total of \$2.7 billion in foreign direct investment (FDI) in January and February, a decrease of 2.5 percent compared with same period last year. The country received \$954 million in February and \$1.757 billion in January, according to data released by the Turkish Economy Ministry.

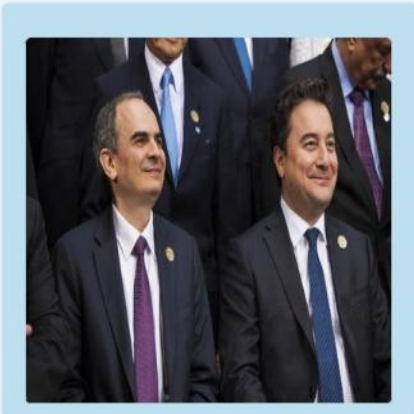
The ministry said the energy sector emerged as the largest recipient of international capital, with \$921 million during the period. A total of 70 percent of FDI was from EU countries, a decrease of 12 percent compared with 81.3 percent in the same period of 2014.

The data indicated 325 new foreign-funded companies were established in the first two months of the year, down from the 580 companies registered in the same period last year. A total of 42,002 companies were operating in Turkey with international capital as of February 2015, with 24,773 of them operating in Istanbul, the ministry said. Turkey’s capital Ankara hosted 2,526 companies and the country’s largest sea resort of Antalya was home to 4,470 foreign companies, the ministry said.

The report also said that of the total number of foreign-funded companies in Turkey, 6,076 were German-funded and 2,784 were financed from the U.K. Most foreign companies were in the wholesale and retail markets in the country. FDI in Turkey reached \$12.14 billion in 2014, a drop of 1.7 percent from the \$12.7 billion invested in 2013. The manufacturing sector benefited the most from FDI with \$2.9 billion, followed by the financial sector with \$1.53 billion.

# Turkish Central Bank head: Inflation to decline in second half of 2015

Anadolu Agency, 20.04.2015



The decline in inflation will become more pronounced during the second half of the year after a partial correction in food prices, Turkish Central Bank Governor Erdem Başçı said according to the Bank's website.

Speaking at a presentation to investors during the spring meetings of the International Monetary Fund and World Bank in Washington D.C., Başçı said the decline in inflation excluding energy and food has continued in recent months. "Cautious monetary policy along with prudent fiscal and macro prudential policies are having a favorable impact on core inflation trends," he said.

However, Başçı noted that elevated levels and high volatility in food prices continued to weigh on headline Consumer Price Index (CPI) inflation. "We expect a partial correction in food prices in the second half of the year... Weather conditions are more favorable this year compared to 2014. The Food Committee was established and began working," he said. In early December 2014, the Food and Agricultural Products Markets Monitoring and Evaluation Committee was established to monitor food pricing. Başçı said Turkey's relative real GDP per capita had been increasing during the disinflation period since 2014.

Food inflation represents 14 percent of overall inflation in the country. The World Bank has forecast Turkey's inflation rate to hit 7 percent at the end of 2015. The government's inflation target is 6.3 percent for the year and 5 percent for next year and 2017. Consumer prices in the country rose 1.19 percent in March, bringing the annual inflation rate to 7.61 percent from 7.55 percent in February, according to the Turkish Statistical Institute. The decline in inflation is boosted by the decline in commodity prices, especially oil, which is also helping the Turkish economy on two other fronts, current account deficit and growth. "The impact of lower oil prices will become more visible in the coming months," Başçı told the investors at the presentation. "Adverse impacts of geopolitical developments on external trade are offset by the increasing market share of Turkish exports globally.... and especially in the European Union. Our firms are quite flexible in shifting to new trade destinations," he said.

Turkey's current account balance has been improving since 2011. "The current account deficit is mainly financed by long-term borrowing and foreign direct investments," he said. According to the Central Bank governor, structural reforms will further boost the growth potential of Turkey. "Structural reforms, business dynamism and sustained European recovery will support exports and the prospects for balanced growth," Başçı added. The 12-month rolling current account deficit declined to \$42.8 billion (5.4 percent of GDP) in February 2015, from \$46.9 billion (5.8 percent of GDP) in September 2014, the World Bank said in its regular economic brief of Turkey on April 17.

The Central Bank's Monetary Policy Committee is due to meet on April 22 to decide whether to raise or lower interest rates. Turkish government officials have repeatedly criticized the Central Bank for maintaining high interest rates, arguing they could be limiting economic growth. However, economists do not expect any change on the Bank's main interest rate. By not changing the rates, the Bank will keep interest rates relatively high, a move that may help to support the Turkish lira, which has lost more than 10 percent of its value against the dollar since the beginning of the year.

## President Erdoğan: 'Turkey spins wheels' in economy

Hurriyet Daily News, 13.04.2015



Recep Tayyip Erdoğan said Turkey has been spinning its wheels in the economy for the past three years and the way out of this loop and to keep the system flowing with speed was to adopt the presidential system of government.

"Maybe some people are not aware, but figures prove this. We have been in an economical wheel spinning for the past three years. Businessmen want to invest but the jurisdiction system blocks them," said Erdoğan aboard the presidential airplane TUR on the way to Istanbul from Kazakhstan, where he held meetings with the country's head, Nursultan Nazarbayev.

Erdoğan said the per capita income had exceeded \$10,000 but it has not been making any progress for the last three years as some people were putting chains on one's wrists and thus forcing one to spin their wheels. "[A businessman] wants to invest but the jurisdiction blocks them. The investments are not small; they vary between 200 million and 500 million dollars. If there were no obstacles before them, the businessmen would have 'rammed it through,'" said Erdoğan, giving Istanbul's Salıpazarı Port Area project, commonly known as Galataport, as an example. "The tender for Galataport, for which an investment of around one billion dollars was at stake, was held two years ago. The project has not yet started. Why? Because the Council of State halted the execution of the project two years after the objection was made," said Erdoğan, adding there were several examples of such situations.

Turkish company Doğu Holding placed the highest offer for the privatization of Galataport with a \$702 million bid in May 2013, winning the rights to operate the port area in Istanbul's Karaköy neighborhood for 30 years. Soon after the tender was awarded, the Union of Chambers of Turkish Engineers and Architects (TMMOB) filed a lawsuit against the project, claiming the plans could not be adequately integrated into the district of Beyoğlu. In October, the Council of State ruled to halt the execution of the project. "We need to go forward without any obstacles and with full speed," he said.

Erdoğan has said that in the past that the business world in particular wished for “one party rule” for economic stability, but this was not enough nowadays and the solution to spinning wheels was the “presidential system,” a concept that he brought to the agenda of the country when he was the prime minister, even before being elected the 12th president of Turkey in August 2014. Erdoğan added that global investors who had the intention of investing in Turkey were also complainant of the jurisdiction and a comfortable environment for foreign direct investment (FDI) should be made possible.

## Russian minister: Russia, Turkey may use own currencies in bilateral trade

Hurriyet Daily News, 21.04.2015



Russian Economy Minister Alexei Ulyukaev has said there was no legal obstacle before Turkey and Russia about conducting trade with each other’s currencies, noting Russia might sell gas and make investments on the Turkish Lira.

“There are only some practical issues which are needed to be solved. First of all, we need to find a solution to the fluctuations in the Turkish Lira and the ruble, maybe developing an equilibrium point for them. Secondly, we need to reflect upon what the parties will do with each other’s money. We can establish new investment funds for this purpose,” Ulyukaev told.

There would be a large number of liras in the hands of Russia if this scenario came online, as the bilateral trade between Turkey and Russia is largely on the behalf of the latter based upon its huge gas exports to the former. “The trade transactions and investments therefore need to rely upon each other,” he said. Ulyukaev noted Turkey could buy Russian oil and gas upon the lira if this mechanism became available between the two countries. “Gazprom should however know what to do with that huge amount of Turkish Liras when the transactions are over. For instance, the company could use this money to bid on the privatization tenders of Turkey’s domestic pipeline systems or to invest in the planned underground gas storage in Turkey,” he said.

Russian and Turkish companies could boost economic and trade ties with third party countries in an easier way using such a mechanism, he said, adding he planned to talk about this proposal to his Turkish counterpart, Nihat Zeybekci, in their meeting soon in the southern Turkish resort of Antalya. Ulyukaev also said bilateral trade between the two countries contracted by 4 percent in 2014. “The decrease was a direct result of the plunging oil prices from \$110 to \$47 on our side. On Turkey’s side, the decline in the trade ties was due to the dramatic plummet at the ruble’s value... Actually, Russia experienced the smallest decrease in its trade volume with Turkey, compared to its ties with other countries,” he said. Ulyukaev noted around 4.5 million Russians visited Turkey last year, but some decrease should be expected this year due to the economic conditions.

“I, however, disagree with the most pessimistic forecasts... The ruble has been recovering against the U.S. dollar, enabling our citizens to have higher purchasing power... As the Russian government representatives, we also support several touristic airline companies, such as Utair and Trasaero... I expect the coming summer will be better than many forecasts,” he said.

## Turkish Airlines, Turkish State Railways join forces

Anadolu Agency, 21.04.2015



Turkish Airlines and Turkish State Railways signed a cooperation agreement, laying the ground for combined transport operations and the joint training of staff. The protocol was signed by CEO Temel Kotil and the general manager of Turkish State Railways, Ömer Yıldız.

Under the protocol, the training of railway cabin staff will begin under the direction of the Turkish Airlines Cabin Crew Training Unit. Turkish State Railways and Turkish Airlines will offer joint ticket promotions, while passengers of Turkish Airlines who earn frequent-flyer miles will be able to use them on train trips.

The new protocol also envisages the establishment of new routes joining railways and airlines, especially to destinations where Turkish Airlines does not provide services. The ticket services of both companies and online channels will be integrated as well. Turkish State Railways operates 10,991 kilometers of railways, making it the 22nd largest railway system in the world. It is also the eighth biggest high-speed train operator globally. Turkish Airlines, which has scheduled flights to over 260 destinations worldwide and carried 54.7 million passengers last year, is the fourth largest airline in Europe.

## Turkish company buys distributor companies operating in East Russia

Reuters, 18.04.2015



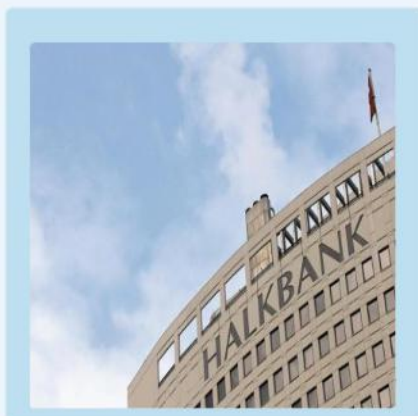
Borusan Investment's unit Borusan Machinery has said it bought Caterpillar's Russian Federation Far East operations from Tiger Machinery in a written statement. The unit, which is owned by Borusan Holding, bought Tiger Machinery's subsidiaries Amur Machinery and Services, Sakhalin Machinery and Tekhnika Dalniy Vostok, according to the statement.

Tiger Machinery's subsidiaries are operating in infrastructure and construction, oil and gas, mining and forestry sectors by selling machines and power systems and providing after sale customer support, it added.

Meanwhile, Borusan Holding said it plans to rise its investments up to \$417 million this year, its operational profit by 10 percent and consolidated revenue by 5 percent on U.S. dollar basis in a press meeting. According to the press release, the business group posted \$328 million of operational profit in 2014 and \$4.5 billion of consolidated revenue. The group made investments worth over \$322 million last year. The group plans to increase its investments up to \$2 billion by 2019, according to the press release.

## Halkbank buys Serbia's lender for 10 mln euros

Anadolu Agency, 20.04.2015



Turkey's state-run Halkbank said on March 20 it has signed a deal to buy a 76.76 percent stake in Serbian lender Cacanska Banka for 10.1 million euros. Cacanska Banka has a 1.1 percent market share and assets of 263 million euros.

Serbia agreed on a deal with Halkbank for the sale of a stake in Cacanska Banka after months of talks before inking the agreement, Serbia's finance ministry said. Having placed an offer to acquire Cacanska Banka in August 2014, Halkbank said in early December 2014 it had failed to agree on a price with the relevant parties. Then in January 2015, the Turkish bank said it had renewed its interest in Cacanska Banka.



Some 28.48 percent of the bank is owned by the Serbian government, while the European Bank for Reconstruction and Development (EBRD) holds 24.99 percent. The International Finance Corporation owns 19.99 percent and the remaining 26.54 percent is owned by other shareholders.

## Assad says no Iran troops in Syria, denies fresh chemical attacks

AFP, 22.04.2015



**Bashar Al-Assad said he had invited Hezbollah militants to fight alongside his regime but he denied the presence of Iranian troops in Syria. Iran is Assad's main regional ally, and Tehran has acknowledged sending military advisers to assist his forces in their fight against rebels and jihadist militants.**

**However it has denied accusations from opposition forces and Saudi Arabia that it has troops on the ground in Syria. "We invited Hezbollah, but not the Iranians, There are no Iranian troops in Syria and they have not sent any force," Assad told. Hezbollah which is backed by Iran, has helped Assad make gains against rebels opposing his regime.**

In the wide-ranging interview the Syrian leader also denied being behind alleged chemical attacks in northwestern Idlib province last month, and accused the United States of overseeing the creation of the Islamic State of Iraq and the Levant (ISIL) group. "The ISIL was created in Iraq in 2006 under the supervision of the Americans. The ISIL came from Iraq to Syria because chaos is contagious," he said, slamming France and other western nations for supporting the jihadists by considering them as the moderate opposition. "Is it democratic to send weapons to terrorists and to support them? So I have the right to support the terrorists who attacked Charlie Hebdo for example?"

Assad was scathing about efforts of the US-led coalition fighting ISIL, saying the grouping was "not serious". "If you compare the number of air strikes carried out by the coalition composed of 60 states compared to those by our small state you will notice we sometimes strike ten times more than the coalition in one day. Is that serious? "It took them four months to free what their media calls the town of Kobane on the Turkish border. How can you say this coalition is effective? They are not serious and that is why they are not helping anyone in the region." He reiterated denials of the use of barrel bombs or chemical attacks, which Syrian forces were most recently accused of using in Idlib province. "What are barrel bombs?" Assad asked, referring to improvised containers packed with chemicals, shrapnel or other explosives. "We haven't used chlorine gas and we don't need to," he said, referring to the attacks reported by Human Rights Watch on Idlib.

More than 215,000 people have been killed in Syria since the conflict began with anti-government protests in March 2011 that spiralled into a war after a regime crackdown. Repeated diplomatic attempts to end the fighting have failed. Assad said he was open to dialogue if the West "convinces us they are not supporting the terrorists."

## Israel's Rivlin gives Netanyahu extra 14 days to form gov't

Reuters, 20.04.2015



Israeli President Reuven Rivlin granted Prime Minister Benjamin Netanyahu an extension of 14 days to form a new government. "I am giving you another 14 days to put together a government," Rivlin told Netanyahu in remarks broadcast live on Israel's main radio stations after the premier formally requested an extension.

After a surprise election victory, Netanyahu was tasked by Rivlin with forming the next government and given 28 days to do so, a period which expires this week. Ahead of the deadline, Netanyahu went early Monday to Rivlin to formally request an extension of up to two weeks.

He now has until May 6 to piece together a ruling coalition. The practice of asking for an extension is commonplace in Israel where it is almost unheard of for a single party to win an outright majority and coalitions are the norm. "In most instances there is an extension, it's certainly very common," said Michael Partem, vice chairman of the Movement for Quality Government in Israel. "It's irksome but it's not a major flaw in the system," he told.

## Egypt's Morsi faces possible death penalty in first verdict

AFP, 19.04.2015



Egypt's ex-president Mohamed Morsi faces being sentenced to death on charges of inciting the killing of protestors in the first verdict against him nearly two years after his fall from power.

He also faces the death penalty in two other trials, including one in which he is accused of spying for foreign powers, and escaping from prison during the 2011 anti-Mubarak revolt. A death sentence on April 21 against Egypt's first freely elected president cannot be ruled out, experts say, especially since judges have already passed harsh verdicts against leaders of his blacklisted Muslim Brotherhood.



Morsi was toppled by the then army chief -- and now president -- Abdel Fattah al-Sisi on July 3, 2013 after mass street protests against his year-long rule. The new authorities then launched a sweeping crackdown on his supporters in which more than 1,400 people were killed and thousands jailed. Hundreds have been sentenced to death after speedy mass trials which the United Nations called "unprecedented in recent history". The authorities have also targeted secular and liberal activists who spearheaded the 2011 uprising against long-time autocrat Hosni Mubarak, Morsi's predecessor. In November, a court dropped murder charges against Mubarak in his own trial over the deaths of hundreds of protesters in 2011.

Sisi's regime is widely popular among Egyptians tired of more than four years of political turmoil, but rights groups say it is more repressive than under Mubarak. Tuesday's verdict involves a case in which Morsi and 14 other defendants, seven of whom are on the run, are charged with the killing of three protesters and torturing several more during clashes in front of the presidential palace on December 5, 2012. The protesters were demonstrating against a Morsi decree that put him above judicial review when they clashed with his supporters. Defence lawyers say there is no proof Morsi incited the clashes, and that most of those killed were Brotherhood members. Even if Morsi escapes the death penalty, he could still face life in jail. "Justice is highly politicised and verdicts are rarely based on objective elements," Karim Bitar from the Paris-based Institute of International and Strategic Relations told AFP.

Morsi's supporters were the target of a government "witch-hunt", he added. If a death sentence is passed, it is unlikely to be carried out, said H A Hellyer of the Washington-based Brookings Centre for Middle East Policy. "The execution of Morsi would represent an escalation by the Egyptian authorities that they do not appear willing to engage in," said Hellyer. "Internationally, it will be received badly that an elected president overthrown via a military incursion into politics, even if that military is popular, is then dealt a harsh judicial sentence." The verdict is also open to appeal. A harsh sentence will nevertheless be a nail in the coffin of the Brotherhood, as Sisi has vowed to "eradicate" the 85-year-old movement that staged major electoral gains between Mubarak's fall and Morsi's presidential victory in May 2012. Almost all of its leaders face harsh sentences, and in December 2013 the movement was designated a "terrorist group," with the authorities blaming it for near daily attacks on the security forces.

In a country where the army has been in power for decades, Sisi's May 2014 presidential victory crushed hopes raised since the popular anti-Mubarak revolt of a civilian democracy. The extent of anti-Brotherhood repression "is unprecedented in the history of the Brotherhood and could push its supporters to extremism", said Mustapha Kamel al-Sayyid, professor of political science at Cairo University. Jihadists, mainly the Egyptian affiliate of the Islamic State of Iraq and the Levant (ISIL) group, have claimed attacks on security forces in retaliation for the crackdown on Morsi supporters. The Brotherhood itself denies resorting to violence.

## Thousands of Yemeni troops along Saudi border side with President Hadi

AFP, 22.04.2015



The Yemeni commander of a vast military district covering half the country's border with Saudi Arabia pledged support to Saudi-backed President Abd-Rabbu Mansour Hadi, local officials said.

The announcement puts at least 15,000 troops in the desert border area on the same side as the kingdom, the world's top oil exporter, after three weeks of an inconclusive bombing campaign it has led against Iran-allied Houthi rebels. Yemen's government has rejected a four-point peace plan for the country that Iran submitted to the United Nations, a spokesman said.

The conflict, though rooted in local rivalries, has been described as a proxy war between predominantly Sunni Saudi Arabia and Shi'ite Iran, both top OPEC oil producers. The Iranian plan calls for an immediate ceasefire and end of all foreign military attacks, humanitarian assistance, a resumption of broad national dialogue and "establishment of an inclusive national unity government." "We reject the Iranian initiative," Yemeni government spokesman Rajeh Badi told Reuters by telephone from Qatar's capital, Doha.

## Medvedev says Russia adapting to new economic reality

Reuters, 21.04.2015



Russian Prime Minister Dmitry Medvedev said Russia was suffering significant economic problems because of international sanctions, but the situation could have been much worse and Russia was adapting.

Referring to Western sanctions imposed last year because of Russia's actions in Ukraine, Medvedev told parliament: "Losses from the restrictions which were introduced are significant. "According to the estimates of some foreign experts, Russia has suffered losses of 25 billion euros (\$26.7 billion) in total, which is 1.5 percent of gross domestic product, and in 2015 it could increase several times," he said.

Medvedev said Russia's economy had contracted by around 2 percent in the first quarter, but that the economic situation could have been far worse and was stabilizing. He linked the sanctions to Russia's takeover of the Ukrainian province of Crimea a year ago, but said the "historic" step had been justified. "For many the return of Crimea was the restoration of historic justice, which in its significance is equivalent to the fall of the Berlin Wall, the reunification of Germany or the return to China of Hong Kong and Macao," he said. Although the economic situation was stabilizing, "there should not be any illusions" about the difficulties, which had been made worse by the collapse in international oil prices and "by several domestic problems that we weren't able to solve". However, Russia had seen worse in the past and could cope, Medvedev said. "If external pressure intensifies, and oil prices remain at an extremely low level for a long time, we will have to develop in a new economic reality," he said. "I am convinced that we will be able to live even in such a reality. The experience of the recent period has shown that we have learnt how to do this."

## Official: EU foreign, interior ministers to meet on migrant disaster

AFP, 20.04.2015



EU foreign ministers will be joined by their interior minister colleagues to discuss the latest migrant disaster in the Mediterranean, an EU official said.

The foreign ministers were originally due to meet on their own but the agenda had to be changed after the loss of a ship carrying more than 700 migrants sparked calls for immediate action, a Council spokeswoman said. The foreign and interior ministers will meet at 1300 GMT, the spokeswoman said, with EU Home Affairs Commissioner Dimitris Avramopoulos also attending as the 28 member states try to find a solution to the growing tide of humanity washing up on its southern shores.

The foreign ministers had been due to discuss the situation in war-torn Libya, now a major transit point for people from all over Africa and the Middle East trying to get to Europe. Exploited by ruthless people smugglers, thousands take to the sea in rickety boats at the mercy of the elements and prone to capsize. Italy, which has borne the brunt of the latest exodus, said only 28 people survived the latest shipwreck off Libya. "It seems we are looking at the worst massacre ever seen in the Mediterranean," said Carlotta Sami, spokeswoman for the UN refugee agency UNHCR.

Spanish Prime Minister Mariano Rajoy said Europe risked "damaging our credibility if we are not able to prevent these tragic situations which are happening every day." As well as April 20 meeting, EU president Donald Tusk was considering holding a special summit on the crisis but no date has been fixed. The latest disaster comes after a week in which two other migrant shipwrecks left an estimated 450 people dead. Some 11,000 migrants have been rescued since the middle of last week and current trends suggest last year's total of 170,000 landing in Italy is likely to be exceeded in 2015.

# ISIL shows purported executions in Libya of Ethiopia Christians

AFP, 19.04.2015



The ISIL released a video purportedly showing the executions of some 30 Ethiopian Christians captured in Libya.

The 29-minute video purports to show militants holding two groups of captives, described in a text on the screen as “followers of the cross from the enemy Ethiopian Church.” A masked fighter in black brandishing a pistol makes a statement threatening Christians if they do not convert to Islam. The video then switches between footage of one group of about 12 men being beheaded by masked militants on a beach and another group of at least 16 being shot in the head in a desert area.

It was not immediately clear who the captives were or exactly how many were killed. Before the killings, the video shows purported footage of Christians in Syria explaining how they had been given the choice of converting to Islam or paying a special tax, and had decided to pay. The video bore the logo of ISIL’s media arm and was similar to footage released in the past, including of a group of 21 Coptic Christians, mainly Egyptians, beheaded on a Libyan beach in February. Several Libyan jihadist groups have pledged allegiance to ISIL, the extremist organization that seized control of large parts of Syria and Iraq last year and declared an Islamic “caliphate.” ISIL has carried out widespread atrocities and won the support of jihadist groups across the region, including in chaos-hit Libya.

The country has been wracked by unrest since the 2011 uprising that toppled and killed dictator Moammar Gadhafi, with two opposing governments and armed groups battling to control its cities and oil wealth. U.N.-backed efforts to form a national unity government have made little progress and officials have warned that Libya - awash with weapons after Gadhafi’s overthrow - threatens to become a haven for jihadists on Europe’s doorstep. ISIL has persecuted minorities including Christians and its executions of the Egyptian Copts prompted retaliatory air strikes from Cairo. Egypt called for an international intervention against the jihadists in Libya but Western diplomats expressed reservations, saying a political deal must be the priority. A U.S.-led coalition of Western and Arab nations is carrying out an air war against I.S. in Syria and in Iraq, where pro-government forces have managed in recent months to retake some territory seized by the group.

The group’s attacks have raised fears for Christians across the Middle East and been condemned by religious leaders. The head of the Church of England, Archbishop of Canterbury Justin Welby, was in Egypt on Sunday to offer his condolences over the beheadings of the Copts in Libya. He was to meet President Abdel Fattah al-Sisi, Sheikh Ahmed al-Tayeb, grand imam of Al-Azhar, the highest authority in Sunni Islam, and Coptic Pope Tawadros II.

# South Korea's prime minister offers to resign amid scandal

AFP, 21.04.2015



South Korea's prime minister has offered to resign amid a bribery scandal just two months after he took up the country's No. 2 post, officials said April 21, in the latest political crisis to hit President Park Geun-hye.

Lee Wan Koo has been at the center of a corruption scandal that flared after a businessman killed himself earlier this month, leaving a memo listing the names of eight high-profile figures he claimed to have bribed. Most of the eight men, including Lee, are considered as close associates of Park. Businessman Sung Wan-jong told a local daily before his death he gave 30 million won (\$27,390) to Lee in 2013.

Lee has denied the allegation but he has seen growing calls to resign after South Korea's media have reported alleged evidence that indicates his ties with Sung. Lee's office said April 21 he conveyed his resignation offer April 20 to President Park, who was in Peru on a four-nation trip. Park described Lee's resignation offer as "very regrettable" and said she "felt the prime minister's agony," according to a statement posted on the website of the presidential Blue House. Park also called for a thorough investigation into the scandal, the statement said. Chun Hye-ran, a presidential spokeswoman in Seoul, said she has not been informed whether Park would accept the resignation offer.

The latest scandal comes as Park struggles to deal with criticism over her government's handling of last year's ferry disaster that killed more than 300 people. Violence broke out at a Seoul rally April 18 led by relatives of the ferry victims and their supporters, leaving dozens of people injured. Park has also faced criticism over what analysts say is her poor communication with the public and lack of transparency on personnel appointments. Some of her previous prime minister and Cabinet member picks have had to withdraw from the nomination process after allegations about their ethical lapses and problematic past behavior emerged.

Lee's alleged involvement in the scandal came as a surprise as he announced a government's plan in March to fight corruption in what critics say was an attempt to target associates of former President Lee Myung-bak, Park's immediate predecessor and chief rival. Sung, who was investigated after Lee's anti-corruption campaign announcement, had complained about being betrayed by Lee and victimized, according to South Korean media. South Korea's executive power is concentrated in the president but the prime minister leads the country if the president becomes incapacitated.

## Kerry asks for more time, space on Iran

Reuters, 19.04.2015



U.S. Secretary of State John Kerry told skeptical Republicans and Democrats that the U.S. Congress should give him another two and a half months to secure a final nuclear deal with Iran. In a closed briefing with the full House of Representatives, Kerry sought to blunt legislation that would give Congress the opportunity to approve or reject preliminary sanctions relief in deal. He was scheduled to brief the Senate.

“We hope Congress will listen carefully ... but also give us some space so we will be able to complete a very difficult task,” Kerry told reporters as he entered the meeting.

The April 2 framework nuclear deal Iran struck with Britain, China, France, Germany, Russia and the United States seeks to limit the Iranian nuclear program in exchange for relief from economic sanctions. A final deal is due by June 30. The United States suspects the aim of Iran’s nuclear program is to build a bomb. Tehran maintains it is for peaceful purposes.

In a sign of the nuclear talks’ importance to President Barack Obama, Kerry was joined by Treasury Secretary Jack Lew and Energy Secretary Ernest Moniz. Some Democrats are lining up with Republicans and could form a veto-proof majority to support the bill, which Obama says would undermine the delicate final stage of negotiations. The backing by some of Obama’s fellow Democrats illustrates the depth of concern in Washington over a possible nuclear-armed Iran.





## Announcements & Reports

### ► *FDI in Detroit: An analysis of jobs in foreign-owned establishments*

**Source** : Brookings  
**Weblink** : <http://www.brookings.edu/research/reports/2015/04/21-fdi-in-detroit-saha-marchio>

### ► *Stock Buybacks: From Retain and Reinvest to Downsize and Distribute*

**Source** : Brookings  
**Weblink** : <http://www.brookings.edu/research/papers/2015/04/17-stock-buybacks-lazonick>

### ► *American Strategy and Critical Changes in US "Energy Import Dependence"*

**Source** : CSIS  
**Weblink** : <http://csis.org/publication/american-strategy-and-critical-changes-us-energy-import-dependence>

### ► *Private-Sector Development and U.S. Foreign Policy*

**Source** : CSIS  
**Weblink** : <http://csis.org/publication/private-sector-development-and-us-foreign-policy>

## Upcoming Events

### ► *What the Future Holds: The Political Economy and How to Shape It*

**Date** : 27 April 2015  
**Place** : London - UK  
**Website** : <http://www.chathamhouse.org/event/what-future-holds-political-economy-and-how-shape-it>

### ► *Microinsurance in Africa: Enabling Development Through Risk Reduction*

**Date** : 27 April 2015  
**Place** : London - UK  
**Website** : <http://www.chathamhouse.org/event/microinsurance-africa-enabling-development-through-risk-reduction>



► *Mobilizing Capital Towards A Low-Carbon Economy*

**Date** : 27 April 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/513-mobilizing-capital-towards-a-low-carbon-economy/>

► *The Implications of Decarbonisation for Business and The Financial Sector*

**Date** : 27 April 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/515-the-implications-of-decarbonisation-for-business-and-the-financial-sector/>

► *Towards A Safer Latin America: A New Perspective For Crime Prevention and Control*

**Date** : 28 April 2015  
**Place** : Washington - USA  
**Website** : <http://www.brookings.edu/events/2015/04/28-crime-prevention-control-latin-america>

► *Examining The Role of Capital Markets in the Economy*

**Date** : 29 April 2015  
**Place** : Washington - USA  
**Website** : <http://www.brookings.edu/events/2015/04/29-examining-capital-markets-economy>