

## Turkey and EU set to sign MoU next week to upgrade Customs Union

Hurriyet Daily News, 06.05.2015



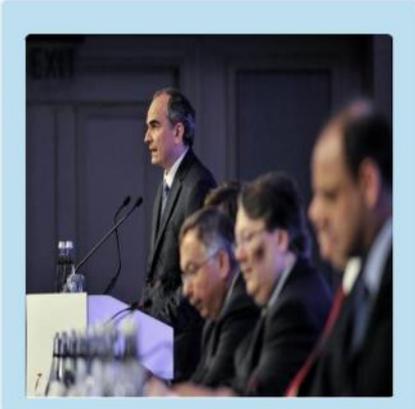
Turkish Economy Minister Nihat Zeybekci and the EU commissioner for trade will sign a memorandum of understanding next week to draw framework of upgrading the Customs Union, EU Minister Volkan Bozkır has stated, noting that one provision in the accord will automatically make Turkey part of any free trade agreement deal that the EU signs with a third party.

Official talks with the European Commission for upgrading the Customs Union agreement will be launched as of January 2016, Bozkır told. Turkey's ministries have been conducting important discussions for the last 15 months, he added.

The existing Customs Union agreement lacks any provision preventing the automatic implementation in Turkey of any free trade agreement signed between the EU and a third party, meaning that Ankara is obliged to open its markets to exports from these states without any customs. Turkey aims to expand the Customs Union to include agriculture, service sector and public procurement. Talks about revising the Customs Union, which is now in its 20th year, have long been on the agenda. Turkey has long been complaining that while it is obligated to align with EU legislation, it cannot participate in decision-making in areas related to the Customs Union. Another issue of concern relates to free trade agreements signed between EU and third countries. The refusal of third countries to conclude free trade agreements with Turkey has worked to its disadvantage. The Turkish government is particularly worried about the prospect of exclusion from the Transatlantic Trade and Investment Partnership (TTIP) currently being negotiated by the United States and the EU. As the two sides have not been able to find common ground for a long time, some Turkish ministers have even threatened to remove Turkey from the Customs Union.

## Turkish inflation climbs more than estimated in April

Hurriyet Daily News, 04.05.2015



Consumer price inflation in Turkey rose more than expected last month, according to official data released by TÜİK.

The Consumer Price Index rose 1.63 percent from March, pushing the annual rate of inflation to 7.91 percent in April from 7.61 in March. The highest annual increase was 14.36 percent in food and non-alcoholic beverages, followed by hotels, cafes and restaurants with 13.34 percent, miscellaneous goods and services with 9.90 percent, housing with 8.21 percent and education with 7.88 percent. The domestic producer price index also suffered, registering an increase of 1.43 percent on a monthly basis.

Food has been named as the chief driver of the inflation rate by Central Bank Governor Erdem Başçı. "Rising food prices put a restraint on disinflation. In this period, oil prices and Turkish Lira-denominated import prices led to cost pressures on inflation. With accommodative weather conditions and possible policy measures, food inflation may have ample room to decline," Başçı said on April 30, as quoted by Anadolu Agency. He also noted core inflation had been declining for the first quarter of the year. However, core inflation is now up 2.03 percent, according to the TÜİK.

## Turkey's exports down by 9.8 percent in April

Anadolu Agency, 02.05.2015



Turkish exports decreased by 9.8 percent in April compared to the same month in 2014, the Turkish Exporters' Assembly stated. Exports totaled \$11.8 billion in April 2015 and overall at \$48.9 billion after the first four months of the year, marking a decline of 8.1 percent, the assembly said.

Turkey's total exports for the last 12 months stood at \$153.5 billion, marking a 1.6 percent decrease compared to the previous 12 months. According to the assembly, the automotive industry is Turkey's largest exporting sector, with a total of \$1.8 billion in exports in April. Exports to Germany, the EU's largest economy, declined by 9.6 percent in April.

Exports to neighboring Iraq fell by 23.4 percent in April, while exports to the world's largest economy, the U.S., increased by 1.8 percent, according to the assembly. The largest increase in exports for April was seen in hazelnut and related products at 64.6 percent. The data came one day after the Turkish Statistical Institute (TÜİK) announced that Turkey's foreign trade deficit in March soared to \$6.15 billion, up 17.2 percent from \$5.25 billion in the same month last year. The surge in the foreign trade deficit followed a two-month decline in the first two months of the year. This year's decline in the foreign trade deficit was largely attributed to the fact that imports are slowing much faster than exports. However, in March the foreign trade deficit halted its downward move, as the decline in exports was more significant than the drop in imports. TÜİK valued March exports at \$12.57 billion, a 14.4 percent decline year-on-year. Imports were also down to \$18.7 billion, a 6.1 percent decline.

## Bank chair: Rising inflation should be under focus, not rates

Hurriyet Daily News, 05.05.2015



İş Bank Chairman Ersin Özince has said the main concern for the Turkish economy should be rising inflation rates. “We should be focusing on the rise in the consumer price index rather than the expected rate hike by the U.S. Federal Reserve [Fed] ...” Özince said.

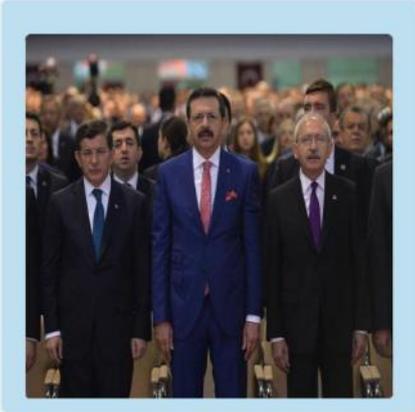
After being asked when he expected the Fed to hike rates, he said that he “does not care.” “Many people have recently been concerned about the expected rise in the Fed’s rates. As the chairman of İş Bank and a person who knows the Treasury very well, I can say that my top concern is not the Fed’s expected move,” Özince said.

“Everybody already knows that the last decade’s high liquidity party is over. If Turkey takes the right steps, it will be able to find the foreign funds that it needs, although it may cost a bit higher. However, the rates will not increase any more than tomato’s price. I think that everybody should be wary about the rise in the tomato’s cost - the rise in the inflation rates,” he added. He noted that the rise in the food prices is now around 14 percent and said it is the main stimulator behind the rise in the consumer price index.

Özince described the rise in the inflation rate as a “big problem” and if it continues to rise dramatically then economic instability would be the result. Meanwhile, consumer price inflation in Turkey rose more than expected in April, according to official data released by the Turkish Statistical Institute (TÜİK). The Consumer Price Index rose 1.63 percent from March, pushing the annual rate of inflation to 7.91 percent in April from 7.61 in March, according to a statement from the TÜİK. The highest annual increase was 14.36 percent in food and non-alcoholic beverages, followed by hotels, cafes and restaurants with 13.34 percent. In its April 30 report, the Central Bank made a revision to its year-end inflation forecast to 6.8 percent, from 5.5 percent.

# Businesspeople warn of slowdown in Turkish economy

Anadolu Agency, 04.05.2015



The Turkish economy has recently slowed down and many businesspeople have experienced problems in cash proceedings and check clearing, Rifat Hisarcıklioğlu has said.

“There has been a slowdown in economic activities in the Turkish market and as businesspeople, we have increasingly faced problems receiving money for our goods and services. We need to accelerate our economic activities,” he said at the meeting, which was also attended by Prime Minister Ahmet Davutoğlu, main opposition CHP head Kemal Kılıçdaroğlu, and MHP Deputy Group Chair Oktay Vural, as well as TOBB members.

Hisarcıklioğlu said Turkey must be “extra careful” in managing its economy as it is located next to risky geopolitical regions. “These risks have been putting limitations on our exports, tourism sector, investments and international construction projects, although decreasing oil prices have had a positive impact on our foreign trade deficit,” he added. The TOBB head said Turkey had recently been “over-focused on its local agenda” ahead of the June elections, warning of global economic surprises in 2015. “We must follow what is happening in other countries. 2015 will be full of surprises for the global economy. We see ups and downs in the economies of the U.S., Europe, Russia and China. Turkey will be affected positively if the recovery trend continues in European economies. Additionally, we see a slowdown in emerging markets’ economic activities, apart from India. The world’s largest 20 economies, which make up some 85 percent of the world’s production activities, grew by 3.4 percent in 2014. But their economic activities are now slowing down ... We also see a slowing trend in the Russian economy, despite the recent rebounds in the oil prices,” Hisarcıklioğlu said. “The global economy has been recovering, but in inefficient manner. I warn you all: Be ready for the surprises and keep away from taking any big risks,” he added.

He underlined that Turkey is now stuck in the notorious “middle-income trap” and needs “transformative steps” to overcome this problem. “Only way for us to increase our income per capita ... is to produce advanced technologies. We can overcome this trap as long as we define the sectors where Turkey can be stronger and set strategies to take the lead in these sectors with state representatives,” Hisarcıklioğlu said. He repeated that Turkey needs a “new growth model” supported by robust structural reforms, and also underlined the need for a comprehensive judicial, educational and tax reform.

## Turkey's Yapı Kredi secures syndicated loans

Hurriyet Daily News, 04.05.2015



Turkish lender Yapı Kredi said it had made a 364-day and 367-day syndicated loan agreement comprised of a U.S. dollar tranche of \$513 million and a euro tranche of 835 million euros.

“This syndication is the successful refinancing of Yapı Kredi’s existing syndication loan signed in April 2014 with a roll-over ratio of above 114 percent,” the bank said in a statement. The Club Term Loan Facility has been raised by a syndicate including 48 of Yapı Kredi’s key relationship banks from 15 countries. The loan is intended to be used for trade finance purposes, the bank said.

“Turkey’s strong budget dynamics have made a big contribution in securing the loan with a roll-over ratio over 100 percent in a period when uncertainties have risen and currency fluctuations are the case over the expected rate hike by the U.S. Federal Reserve,” Yapı Kredi CEO Faik Açıklan said. “Our high performance, strong financial stance and solid network also played a great role,” he added. Wells Fargo Bank acted as Coordinating Bank and Mizuho Bank Ltd as the Agent, said the statement.

## Executive: Airbus aims for new A400M military plane sale this year

Reuters, 27.04.2015



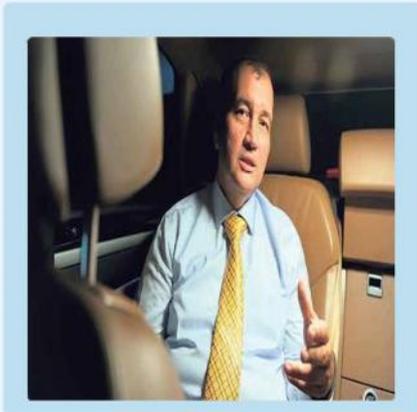
Airbus aims to strike a new sales deal for its A400M military aircraft this year and hopes it will bolster interest in the delay-plagued transporter, a senior executive from its defense division said.

Several buyers, including Turkey and Germany, have expressed frustration at repeated delays in deliveries of the heavy cargo and troop carrier, Europe’s largest defense project. “We are targeting a sales announcement for the A400M this year,” Antonio Rodriguez-Barberan, an executive at Airbus Defense and Space, told Reuters on the sidelines of a conference in Istanbul.

“We hope this will drive a domino effect.” He did not give any details about the potential sale, such as the size of the deal or the purchaser. Airbus acknowledged last year it faced more delays in delivering the aircraft, and took a charge of 551 million euros (\$618 million). Ankara has said it would force Airbus to pay a penalty or offer services in compensation for late deliveries. Other European buyers -- jointly represented along with Turkey by defense procurement agency OCCAR - include Belgium, Britain, France, Germany, Luxembourg and Spain. Malaysia has also agreed to buy the plane, which fits between the smaller Lockheed Martin C-130 and larger Boeing C-17. Separately, Turkey’s defense procurement agency said it expected to sign an agreement with Airbus on maintenance support for the A400M, allowing it to service the aircraft.

## Yıldız Holding sells dairy unit to French food giant

Hurriyet Daily News, 06.05.2015



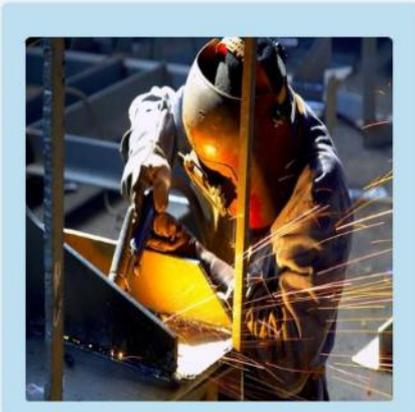
Yıldız Holding, has sold its Ak Gıda dairy unit to French food giant Groupe Lactalis after an intended initial public offering (IPO) was canceled, the company has announced.

Yıldız Holding still has a 10 percent stake in the company, while some 80 percent of the stakes will be owned by Ak Gıda, the French company said. The company said the sale agreement was signed and the planned IPO on May 6-8 was canceled in the statement. Yıldız Holding CFO Cem Karakaş said that some 80 percent of Ak Gıda’s stakes were sold to Lactalis, while Yıldız’s stakes in the company will decrease to 10 percent from 33 percent.

No financial details were given about the deal. Yıldız Holding also applied to the Turkish Competition Board on May 5 to buy all shares in fruit juice company Yıldız Granini Meyve Suyu from Germany’s Ecker-Granini Group Gmbh and Eckes-Granini International Gmbh. The group also sold all shares in Natura Food, which owns ice cream brand Ülker Golf, to Ice Cream Investments. Groupe Lactalis was listed in 2014 as the world’s 15th largest food firm. Ak Gıda had sales of 2.04 billion Turkish Liras in 2014, up 16.7 percent from the previous year. Its exports last year amounted to 84.7 million liras, mostly to Middle Eastern countries. Yıldız, which also owns Turkey’s largest food maker, Ülker Bisküvi, bought U.K.-based cookies and snacks maker United Biscuits in November 2014, in a deal it said made it the world’s third-biggest biscuit maker. Yıldız also acquired premium chocolate maker Godiva for \$850 million in 2007 and DeMet’s Candy Co, the U.S. maker of Flipz’s chocolate pretzels and Turtles’ covered nut clusters, for \$221 million in 2013.

# Turkish manufacturing sector down for fourth consecutive month

Anadolu Agency, 06.05.2015



The Turkish manufacturing sector remained in a downturn in April, for the fourth consecutive month, according to PMI survey data from HSBC.

“Output, new orders and new export business all fell for the fourth successive month, with the latter posting a faster rate of decline. Manufacturers’ input stocks declined as purchasing fell, but inventories of finished goods built up,” read a statement by HSBC Turkey Manufacturing PMI, released. The PMI remained below the no-change mark for the fourth successive month in April, indicating an ongoing downturn in the Turkish goods-producing sector.

The PMI rose from March’s 71-month low of 48.0 to 48.5, but the latest figure was still the joint-second lowest since April 2009. Three of the PMI’s five components weighed on the headline figure during the month, the exceptions being employment and suppliers’ delivery times. Turkish manufacturers reported a fourth consecutive monthly drop in new orders received in April. The rate of contraction eased slightly since March, but remained solid. New export contracts fell at the fastest rate in six years, despite the weakening lira-dollar exchange rate. “The latest PMI data signal an entrenched downturn in the Turkish manufacturing sector with output, new orders and exports all falling for the fourth consecutive month. The latter showed the steepest drop in six years, despite the weak lira-dollar exchange rate,” said Trevor Balchin, Senior Economist at Markit.

“Turkish goods producers face the unenviable combination of falling demand and rising inflation, with average input prices increasing at the fastest rate since March 2014. The weak currency was again widely blamed for the latest build-up of inflationary pressure,” he said. “The strong U.S. dollar was again cited as the main factor driving up average input prices, which increased at the fastest rate since March 2014,” read the statement. “In contrast, manufacturing output prices rose at a weaker rate as firms reported competitive pressures. On a more positive note, employment growth resumed, albeit at a modest pace.” In line with the trend had shown for new work, production declined for the fourth month running in April, while the rate of contraction was unchanged from March’s near-six-year record. “Survey data also signaled a lack of pressure on operating capacity, as backlogs of work declined for the 13th time in 14 months,” read the statement.

Stocks of purchases held by Turkish manufacturers declined in April, reflecting a drop in input volumes. Conversely, stocks of finished goods rose for the third month running, the longest sequence of growth in more than three-and-a-half years. The headline HSBC Turkey Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers’ delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector. It called for lower interest rates and said that those who defended high rates were “traitors.”

# Syrian rebels want US support for safe zone

Hurriyet Daily News, 07.05.2015



Emboldened by recent advances thanks to a more “coordinated” military assistance from regional allies, Syrian rebels have asked for the support of the United States to set up safe zones before the Bashar al-Assad regime collapses.

“Damascus should be besieged. Then it could fall suddenly. Before it falls, safe zones should be established to prevent extremists from abusing any subsequent void of power,” said Khaled Khoja. The Syrian opposition envisages safe zones as areas where it can set up a transitional government to serve people under land protection from the Free Syrian Army (FSA) and air protection from international forces.

“This is the concept,” Khoja says, adding that it would serve the purposes of forming a civilian government, paving the way for refugees to return to Syria from abroad, facilitating the humanitarian aid flow, providing a controlled advance toward Damascus, preventing extremists from gaining ground, and limiting the number of daily casualties. According to Khoja, rebels have been gaining ground throughout the country over the past two months thanks to increased arms deliveries to Turkey-supported FSA units in the north and the Saudi-supported ones in the south. “Saudi Arabia’s military operation in Yemen revealed that there is a force in the region that can stop Iran’s influence. This force has understood that it should progress in cooperation with Saudi Arabia, Qatar, Jordan and Turkey toward an agreement on Syria,” he added.

Claiming that the war in Syria is now at a “very important milestone,” Khoja said the regime has started to face serious difficulty, despite Russian and Iranian support, because rebels “are now fighting together under a joint command.” Regime forces were recently dispersed in Daraa, lost Jisr al-Shughour, and retreated from key locations on the highway between Aleppo and Damascus, while their siege on Aleppo is also broken, he also noted. Meanwhile, Khoja said internal fighting had broken out inside the regime over what stemmed from some Syrian regime generals’ opposition to Iran’s overwhelming influence. “The collapse of the regime will take us to a scenario that we never want to see. This is because the regime calls up ISIL [the Islamic State of Iraq and the Levant] wherever it retreats,” he said. The FSA, which had been struggling to find even basic food just months ago, now forces al-Assad to withdraw thanks to increased military assistance, he added. Not only the war in Yemen, but also the change in the Saudi Arabian leadership is a key factor in this, according to Khoja. “King Salman and his team have always supported coming closer to Turkey. When they came to power, it created a new momentum. [Military] assistance increased as a result,” he said.

The rebels now plan to advance toward Damascus, Hama and Homs, while skipping Latakia. “The important point is besieging and capturing Damascus, before setting up a transitional government there. If that happens, the transition will be just,” Khoja said. But where in this picture are the extremists other than ISIL, such as the various al-Qaeda-affiliated groups? “Al-Nusra’s presence is exaggerated,” Khoja said, while also admitting that other Syrian rebels were sometimes in “tactical coordination” with the jihadist group, despite the fact that the SNC has listed it as a terrorist organization. “If we can set up a civilian government inside safe zones, we will tell al-Nusra that it must disconnect from al-Qaeda and return to a domestic Syrian line of thought. We will still be trying to repulse them as we will keep considering them a threat,” he said.

## Netanyahu forms new government just ahead of deadline

AFP, 07.05.2015



**Israeli Prime Minister Benjamin Netanyahu held on to his job, announcing that he had hammered together a new coalition government just ahead of a midnight legal deadline.**

**But with a knife-edge majority of just one seat in the 120-member parliament expectations were that he would have to expand the ruling alliance beyond his natural religious and rightist partners or battle for survival at every vote. “I am leaving here to call the president and the speaker of the parliament to inform them that I have been able to build a government,” he said in remarks at the Knesset after marathon talks with Jewish Home leader Naftali Bennett.**

“We need to launch it next week and we shall do so,” he added. President Reuven Rivlin’s office said he had sent a written note followed up with a phone call. “I am honoured to inform you that I have been successful in forming a government, which I will request is brought before the Knesset for its approval as soon as possible,” Rivlin’s office quoted the note as saying. “The negotiations are over,” Bennett said on his official Twitter account, adding, “Now we get to work.”

The news came just over an hour ahead of a legal deadline at midnight (2100 GMT) after which the task of forming a government would have been given to another party leader -- most likely Isaac Herzog, head of the centre-left Zionist Union, which won 24 seats in the March 17 election, behind 30 for Netanyahu’s rightwing Likud. The deal with Bennett leaves Netanyahu in command of 61 Knesset votes, bought at the cost of major concessions to his partners. Analysts say he will be at the mercy of rebels, caprice, or even a bad cold the first time the coalition faces a crucial vote. He would then be forced to expand the ruling alliance beyond his natural religious and rightist partners and turn reluctantly to the Zionist Union, which has so far said it will sit in opposition.

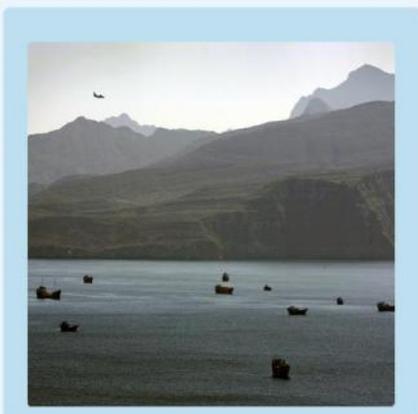
“Netanyahu is left with an unmanageable situation,” said political scientist Emmanuel Navon, of Tel Aviv University. “The first thing he’ll do tomorrow... is take his phone and start working on a coalition with (the Zionist Union),” he told AFP. Netanyahu, “is a general without soldiers,” the Maariv daily wrote. Netanyahu himself said he hoped to expand the alliance, without elaborating. “I have said that 61 is a good number and 61-plus is better still, but it starts at 61,” he said in his Knesset remarks. For the time being his right-religious government is expected to continue his robust foreign policy -- marked by virulent attacks on Iran -- and to maintain a hard line on the issue of concessions to the Palestinians.

Bennett had upped his demands on Monday after Foreign Minister Avigdor Lieberman dropped a bombshell by pulling out of the coalition talks, saying his anti-Arab Yisrael Beitenu faction would not join a Netanyahu government. Lieberman said in a statement Wednesday that it was his last day on the job. The move piled pressure on Netanyahu who quickly signed an agreement with the ultra-Orthodox Shas party, leaving only Bennett’s party as the last piece in the puzzle. “Avigdor Lieberman provoked a rare tizzy in the political establishment two days ago,” wrote Ben Caspit in Maariv. “Within minutes, Benjamin Netanyahu changed from an all-powerful emperor into a lame duck.” Commentators were unanimous that a government with a majority of just 61 would likely be short-lived.

When Netanyahu called for snap elections in December, it was to put an end to the chronic instability in his existing coalition. When he was tasked with forming a government, Netanyahu said he wanted to form a six-party coalition of rightwing and religious parties which would command a majority of 67. But Lieberman’s last-minute about-face deprived Netanyahu of six seats and put Bennett in the role of kingmaker. Likud had previously signed up three parties: the centre-right Kulanu (10 seats) and the two ultra-Orthodox parties Shas (seven) and United Torah Judaism (six).

## Official media: Iran releases seized Maersk cargo ship

AFP, 07.05.2015



Iran has released the Maersk Tigris cargo vessel seized by its patrol boats in the Strait of Hormuz last week over a business dispute, official media said. “An informed source at the Ports and Maritime Organisation said the Maersk ship was free” to leave the country, the IRNA state news agency reported.

It gave no further details but said an official statement would be issued later on the vessel’s release. Iran has said it seized the container ship because of a commercial dispute with Denmark’s Maersk group. The move caused concern for the security of shipping lanes in the strategic strait and prompted the United States to send vessels to monitor the situation.

In a sign of reduced tensions, the Pentagon said that the US Navy had halted a mission to accompany American-flagged vessels passing through the Strait of Hormuz. US warships will however remain in the area to conduct “routine maritime security operations,” spokesman Colonel Steven Warren told reporters. Tehran denied it had detained the ship’s 24 crew members, saying they were benefiting from diplomatic assistance. Iranian state TV reported that the crew members were from Bulgaria, Myanmar, Romania and Britain. The seizure was in connection with an Iranian court order for Maersk to pay \$3.6 million (3.2 million euros) in damages to Iranian firm Pars Oil Products Talayieh over cargo that allegedly was not delivered.

## Ukraine oligarch claims US extradition request is political interference

The Guardian, 05.05.2015



**Maidan was meant to usher in a new kind of politics and end official corruption and behind-the-scenes oligarchic influence. But an Austrian court last week heard claims that President Petro Poroshenko had his path to the presidency cleared for him only after a summit in Vienna.**

**The claims came as part of a one-day hearing in Vienna, when an Austrian judge rejected a US extradition request for Firtash. The oligarch claimed the US charges against him – of bribing Indian officials – were politically motivated and were Washington’s way of removing him from the Ukrainian political playing field at a sensitive time.**

In much the same way that proceedings in London’s high court between Russian oligarchs have brought to light elements of Russian backroom deals, the hearing in Vienna provided a number of tantalising details about recent Ukrainian politics. Firtash is one of the most powerful and most elusive of Ukraine’s oligarch class, a small group of individuals who have controlled much of the business in post-Soviet Ukraine and have often had huge influence over the political system. He has been linked to the Kremlin as well as figures in the Russian underworld – claims he has denied. Usually, oligarchs like to remain in the shadows, but to make his case that the US charges were politically motivated, Firtash made a rare boast about his political influence inside Ukraine.

Firtash told the court he arranged a summit in Vienna after the Maidan revolution between former boxer Vitali Klitschko and Poroshenko, who went on to become Ukraine’s president following the overthrow of President Viktor Yanukovich. After the meeting, Firtash said, Klitschko agreed to run for mayor of Kiev rather than the presidency. For a nation sick of big decisions being taken in shadowy closed-door meetings, the claims have hit a nerve. Vasyl Rasevych, a Ukrainian historian and journalist, said the revelations at the trial suggested that Ukraine’s president was essentially appointed by oligarchs.



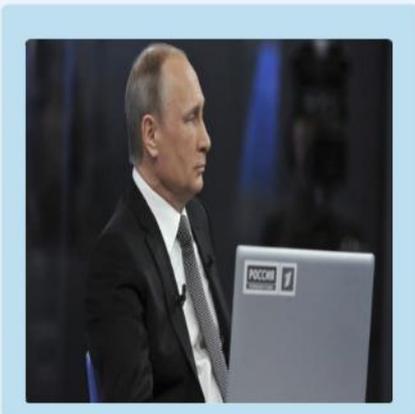
“In Ukraine, after the revolution of dignity there is still no politics, we’re still run by an oligarchic system. People who claimed to be oppositionist and swore to change the system, they instead lied to the public and continue to make back-door deals Yanukovych-style.” Some, however, have pointed out that Firtash clearly had a vested interest in portraying himself as a kingmaker in order to avoid his extradition, and thus his testimony could be skewed. Klitschko gave a vague denial, stating that Firtash’s words were “incorrect”, while Svyatoslav Tsegolko, Poroshenko’s spokesman, said the president had a “very simple position” on the issue and had commented on the meeting during last year’s election campaign. Then, Poroshenko had admitted meeting Firtash in Vienna, when he travelled to Austria for the birthday part of Vitali Klitschko’s brother Wladimir. “I do not think [Firtash] liked the outcome of the meeting,” Poroshenko said later, local media reported. Tsegolko said Poroshenko was “a president of de-oligarchisation”, pointing to a recent law to reform the energy sector, as well as the dismissal of Ihor Kolomoisky, the oligarch governor of Dnipropetrovsk region, in March.

Ukrainian prosecutors have opened investigations of their own against Firtash, as part of Poroshenko’s mission to free the country from oligarchic influence. The cynics point out that Poroshenko himself is a wealthy businessman, and wonder whether any promises were given during the meeting between Poroshenko, Klitschko and Firtash last year. Member of parliament Victoria Voytsitska said: “If there was a deal, Poroshenko needs to admit it and reveal the terms. Were there any obligations on his part when he became the president, towards Firtash or any other oligarch? If he does not comment, then questions will only intensify as to what he is trying to hide, and there won’t be much trust or belief in his claims to be fighting the oligarchs.” Olga Belkova, an MP from Poroshenko’s bloc who sits on the parliamentary energy committee, said key reforms were being pushed through the sector, and the most important thing is that the system, rather than simply ownership, is changed. “Now is the moment when the system will either be cleansed, or everything will stay the same.”

The second major question raised by the Vienna trial is the level of US interference in Ukrainian politics. The US indictment against Firtash alleged that the oligarch paid bribes to Indian officials as part of a titanium deal. Analysts have noted that the charges are relatively minor given the importance of Firtash in Ukraine and the timing of the arrest, something which the judge also mentioned. The oligarch compared the history of Firtash’s arrest and extradition requests with dates of US assistant secretary of state Victoria Nuland’s travel in and out of Kiev, suggesting that the Americans used the threat as leverage to force Yanukovych to sign a European Union integration pact in autumn 2013. Yanukovych later changed his mind over signing the pact, which led to the Maidan revolution, following which Firtash was apprehended by Austrian police at US request. Firtash’s defence strategy was to suggest that the whole case against him was part of a US attempt to influence events in Ukraine. The US maintains there was no political motivation behind the extradition request and the overlap of dates with Nuland’s travel was just a coincidence. “This is a case brought by the [US] Justice Department as part of a foreign corruption investigation,” one State Department official told the Guardian. “We are disappointed with the court’s ruling and have filed an appeal,” he added.

## Russia signs up to \$100 bn BRICS fund to rival IMF

AFP, 03.05.2015



Russian President Vladimir Putin ratified an accord to set up a \$100-billion reserve fund for the so-called BRICS.

Moscow is expected to contribute \$18 billion to the reserve, well behind the \$41 billion China has promised to pour into the fund that was set up after an agreement signed in July 2014 in Brazil. The emerging economies also plan to form their own international bank based in Shanghai to challenge western dominance over international money markets. "The accord on the creation of a common reserve fund for BRICS countries has been ratified," a document from the Kremlin quoted by RIA Novosti news agency said.

The fund is meant to shield the BRICS against "short-term liquidity pressures" and promote greater cooperation between the five member countries. Russia which has suffered huge currency fluctuations since the outbreak of the crisis in Ukraine sees the fund as an alternative to international financial institutions like the IMF and World Bank that are dominated by the United States. The BRICS countries between them account for 40 percent of the world's population, and a fifth of the planet's GDP.

## Report: Greek gov't renegotiating sale of Piraeus port with Chinese company

Reuters, 06.05.2015



The Greek government is renegotiating the terms under which Piraeus port will be sold to Chinese Cosco, Shipping and Tourism Minister Giorgos Stathakis said in parliament, as reported by the local media.

The Greek government is currently renegotiating the terms under which Piraeus port will be sold to Chinese shipping giant Cosco Pacific, according to what Economy, Infrastructure, Shipping and Tourism Minister Giorgos Stathakis said. "Our policy is clear and aims at maximizing the benefits of the Greek State. Negotiations with Cosco are underway so that we can find solutions Stathakis said.



“The government is called today, in the framework of all the negotiations and openings it has done, to manage in the best way and to radically change the conditions of the agreement with Cosco and we insist on a comprehensive management of the port which will be conducted under the auspices of the State, to fully ensure the interests of the country,” he added. The minister said the government is dealing with a “situation which it has not created, but has inherited” while he added that talks with the Chinese company are taking place simultaneously with the negotiations with the European institutions and in the framework of a “multilateral geopolitical economic strategy.”

Meanwhile, Greece will also finalize “immediately” a 1.2-billion-euro (\$1.3-billion) deal with Fraport to run regional airports as well as reopening bidding for a majority stake in Piraeus port, a senior privatizations official said on May 5, as reported by Reuters. The asset sales had been in doubt after Prime Minister Alexis Tsipras’ leftist-led government took power in January but may be the latest concessions offered by his government to try to secure more bailout cash from international creditors. The Greek finance, shipping and economy ministries involved in the sales declined to comment. “The issue of regional airports will be concluded immediately,” the official at Greece’s privatizations agency HRADF told Reuters on condition of anonymity, noting that an announcement could be expected. Tsipras’ government is trying to renegotiate a 240-billion-euro bailout and has said it would review the sales, though various Greek officials have offered contradictory statements on the fate of both the airports and the Piraeus deals.

# Italy again calls for EU help after more migrant deaths

AFP, 06.05.2015



Italy renewed its appeal to the EU for help in managing a relentless wave of migrant arrivals, after around 40 migrants died when their inflatable boat sank off the coast.

Survivors of the tragedy reported 137 people were on the vessel when it either deflated or exploded shortly before a spate of rescue operations this weekend that saw the Italian navy and coastguard save almost 6,000 people on the sea. Dramatic footage that was widely shared on social networks showed dozens of mostly African migrants struggling to stay afloat after jumping off their sinking dinghy, desperately clinging to lifebuoys thrown from the deck of a cargo ship.

It was unclear whether the images, which were also broadcast on television, were from the latest sinking. Italian leaders anticipate a record number of arrivals on their southern shores between now and September, with last year's total of 170,000 already an unprecedented number. "It's not enough to add 10 or so boats to those (operated) by the Italians," said Italian Foreign Minister Paolo Gentiloni. He also demanded the European Union help in the fight against human trafficking and make reforms to the process of granting asylum to migrants.

EU foreign policy chief Federica Mogherini will brief the UN Security Council on the issue next week as the 15-member body holds a special meeting to discuss ways to address the crisis. More than 1,750 migrants have perished in the waters between Libya and Italy since the start of this year. The International Organization for Migration reported last month that the toll represented a 30-fold increase over 2014. Gentiloni said May 4 that promises made at April's EU summit after a migrant boat disaster left 750 dead had to be honoured. "A European emergency cannot continue to have only Italian responses," he added.

This weekend's surge in the number of boats leaving Libya was put down to the fine weather and calm sea conditions. The survivors, whose harrowing experience was reported Tuesday, were part of a group of close to 200 migrants who were on two separate boats and were rescued in recent days in waters off Sicily. The survivors arrived in Catania on the east coast of Sicily, on the cargo ship Zeran, which also carried five bodies. More than 4,000 of those rescued this weekend have landed in southern Italian ports, and 485 more reached Sicily in the afternoon. Among the arrivals was a baby girl born on board the Italian navy patrol ship Bettica. Her mother had gone into labour just before leaving Libya aboard one of four rickety boats whose occupants were rescued.

Despite Italy shouldering so much of the rescue effort, and amid calls for Europe to adopt Australia's policy of turning back migrant boats, an Italian navy chief on Tuesday said he would never turn away a boat in need of help. Admiral Donato Marzano, who will host a seminar of navy supremos from 26 European countries in Naples on Friday, suggested it would not be feasible

morally or practically, to start escorting barely seaworthy migrant boats back to conflict-wracked Libya. “I am a sailor who has spent 20 years on boats. If I find a boat adrift, I’m sorry but I don’t turn away,” Marzano said. “I intervene to help people at sea. I don’t know if this reflects my Italian culture but I do know it is international law.”

Aid agencies say a large number of those attempting the Mediterranean crossing have legitimate claims to asylum in Europe as they are fleeing conflict or repression in places including Syria and Eritrea. Some 750 migrants were killed when their trawler sank between Libya and southern Italy, sparking global outrage and demands for action. Four days later EU leaders tripled the bloc’s budget for patrols off Libya and mooted the idea of military action against smugglers. The latter option is seen as unlikely to secure the UN approval it would require.

## Nepal quake toll passes 6,200, \$2 billion needed for reconstruction

Reuters, 02.05.2015



The death toll from Nepal’s devastating earthquake rose steadily past 6,200 as fresh aftershocks and the stench of rotting bodies made it hard for nervous survivors to return to their homes.

Disposal of the hundreds of bodies still being found six days after the 7.9 magnitude quake devastated the Himalayan nation of 28 million people was becoming a problem for officials, who have ordered immediate cremations. “Morgues are full beyond capacity and we have been given instruction to incinerate bodies immediately after they are pulled out,” said Raman Lal.

Aid was slowly beginning to reach remote towns and villages nestled in the mountains and foothills but the overpowering smell of bodies trapped beneath the rubble of collapsed buildings in the capital was making it hard for residents to return to their homes. Many Nepalis have been sleeping in the open quake. According to the United Nations, 600,000 houses have been destroyed or damaged. Finance Minister Ram Sharan Mahat said Nepal would need at least \$2 billion to rebuild homes, hospitals, government offices and historic buildings and appealed for help from international donors. “This is just an initial estimate and it will take time to assess the extent of damage and calculate the cost of rebuilding,” Mahat told Reuters.

The United Nations has said 8 million people had been affected, with at least 2 million in need of tents, water, food and medicines over the next three months. A home ministry official said the death toll had risen to 6,204, with 13,924 injured. Information Minister Minendra Rijal said the government would provide \$1,000 in immediate assistance to the families of those killed, as well as \$400 for cremation or burial. Prime Minister Sushil Koirala told Reuters earlier this week the death toll from the quake could reach 10,000. That would surpass the 8,500 who died in a 1934 earthquake,



the last disaster on this scale to hit the Himalayan nation sandwiched between India and China. Home ministry official Laxmi Prasad Dhakal said that, even though the 1934 quake was more powerful, there were fewer people living in the Kathmandu valley then. “The scale of reconstruction will be unprecedented,” Dhakal said. “We have still not even been able to assess the damage in remote areas, which have been completely devastated.”

Officials have said the chances of finding any more survivors were fading, even though a boy and a woman had on April 30 been pulled from the rubble where they had lain trapped for five days. As rescuers slowly started reaching outlying areas, witnesses reported seeing 70 to 80 percent of buildings severely damaged in Chautara, northeast of Kathmandu towards the border with China’s Tibet.

Anger over the pace of the rescue has flared in some areas, with Nepalis accusing the government of being too slow to distribute international aid that has flooded into the country. It has yet to reach many in need, particularly in areas hard to reach given the quake damage, poor weather and aftershocks. Tensions between foreigners and Nepalis desperate to be evacuated have also surfaced. In Ashrang village in Gorkha, one of the worst-hit districts about four hours by road west of Kathmandu, hundreds of villagers were living outdoors with little food and water even as boxes of biscuits, juice and sacks of rice and wheat were stored in a nearby government office. Nepal is also appealing to foreign governments for more helicopters help the 20 at work in rescue operations. China was expected to send more, home ministry official Dhakal said. In the Himalayas, climbing is set to reopen on Mount Everest next week after damage caused by avalanches triggered by the quake is repaired, although many have abandoned their ascents. A massive avalanche killed 18 climbers and sherpa mountain guides at the Everest base camp.

# US Secretary of State John Kerry in surprise Somalia visit

AFP, 05.05.2015



John Kerry made a surprise trip to Somalia officials said, becoming the first US secretary of state to visit the war-ravaged Horn of Africa nation.

The top US diplomat was spending just a few hours in the Mogadishu, and was not scheduled to leave the confines of the fortified airport where he was to meet Somalia's President Hassan Sheikh Mohamud and Prime Minister Omar Ali Sharmake. "Secretary Kerry landed in Mogadishu, Somalia to reinforce the United States commitment to supporting Somalia's ongoing transition to a peaceful democracy," State Department spokesperson Marie Harf said.

"In his meetings with federal and regional government officials, he will discuss security cooperation and Somalia's progress towards meeting its reform and development benchmarks... He will also meet with civil society leaders to discuss the importance of a vibrant NGO sector and thank African Union troops for their role in stabilising Somalia," she said. A senior State Department official described the visit as "historic". "I think it will send a strong signal to the Somali people of our commitment," said the official.

Other senior foreign officials and leaders have visited Mogadishu in recent years, including Britain's former foreign minister William Hague and Turkish President Recep Tayyip Erdogan. Kerry's visit was to focus on the fight against Al-Qaeda's Somalia branch, the Shebab, as well as efforts to build political security in the war-torn country. "I think it will send a strong signal to Shebab that we are not turning our backs on the Somali people and that we will continue to engage with Somalia until we bring Shebab's terror to an end," the State Department official added.

# Obama picks Marine general as next top US officer

AFP, 05.05.2015



President Barack Obama will nominate Marine General Joseph Dunford as the next chairman of the joint chiefs, choosing an officer with battlefield experience in Iraq and Afghanistan for the US military's top job.

If confirmed by the Senate for the post, Dunford will be drawing on his years fighting insurgents over the past decade when he advises Obama on the US-led war against the ISIL. The next chairman of the US Joint Chiefs of Staff will also have to contend with a resurgent Russia, China's growing military might and looming automatic budget cuts that could create headaches for the military.

Dunford, 59, currently the commandant of the US Marine Corps, would replace General Martin Dempsey, an army officer who will retire after he finishes his second term as chairman in October. Obama was expected to announce the nomination on May 5 at the White House, officials said. The chairman of the joint chiefs does not have troops or weapons at his command but he acts as the top military adviser to the president and the defense secretary. The job often carries hefty influence on matters of war and peace, and the chairman also is seen as the public face of the armed forces.

Officials said Obama also planned to nominate Air Force General Paul Selva to be next the vice chairman of the joint chiefs. The current vice chairman, Admiral James Winnefeld, is due to retire. Selva is head of the military's transportation command and had served as the lead Air Force strategist. Dunford, a native of Boston who speaks with that city's distinct accent, served as the commander of NATO's International Security Assistance Force in Afghanistan from February 2013 until August 2014. During his time as commander in Kabul, Dunford oversaw a major drawdown of tens of thousands of US troops, as Afghan forces took the lead in the fight against the Taliban insurgency. But Dunford persuaded the White House to keep a small force on the ground after 2014 instead of a total troop withdrawal. Dunford also led troops in the 2003 US-led invasion of Iraq and spent nearly two years in the country.

In 2009, he was appointed head of Marine forces in the military's powerful Central Command, which oversees American troops across the Middle East. He had been Marine Corps commandant only since last October. Although he earned the nickname "Fighting Joe" during his time in Iraq, Dunford has an affable manner and is well-liked by rank and file troops. The four-star general is at ease before reporters, which will come in handy in a post that often entails numerous public appearances. Senator Jack Reed, the senior ranking Democrat on the Senate Armed Services Committee, called Dunford's nomination a "superb choice." "General Dunford has the experience and vision to lead the Joint Chiefs and help shape our national security strategy at a time of enormous global challenges," Reed said in a statement.



An infantry officer, Dunford followed General James Amos, a pilot, as commandant of the Marine Corps. He holds a master's degree in government from Georgetown University and a master's degree in international relations from the Fletcher School of Law and Diplomacy at Tufts University. He has served in the Marine Corps for more than 35 years. The Senate must approve the nomination of Dunford for the two-year term. Chairmen usually serve two terms. However, the last Marine to hold the post, Peter Pace, was not nominated for a second term during George W. Bush's presidency. Pace faced opposition from Senate Democrats over the war in Iraq.



# Announcements & Reports

## ► *Standards and regulations in the Trans-Pacific Partnership Agreement*

**Source** : Brookings  
**Weblink** : [http://www.ipekpp.com/admin/upload\\_files/Report\\_3\\_54\\_Standards\\_1463610593.pdf](http://www.ipekpp.com/admin/upload_files/Report_3_54_Standards_1463610593.pdf)

## ► *Post-ISAF Afghanistan: The Early Months*

**Source** : Brookings  
**Weblink** : <http://www.brookings.edu/research/reports/2015/05/bdc-nato-afghanistan-event-report>

## ► *The Arab Gulf and the U.S. Strategic Partnership in Ballistic Missile Defense*

**Source** : CSIS  
**Weblink** : <http://csis.org/publication/arab-gulf-and-us-strategic-partnership-ballistic-missile-defense>

## ► *Defense Department PAS Positions*

**Source** : CSIS  
**Weblink** : <http://csis.org/publication/defense-department-pas-positions>

# Upcoming Events

## ► *Tackling Global Diets to Curb Greenhouse Gas Emissions*

**Date** : 09 May 2015  
**Place** : London - UK  
**Website** : <http://www.chathamhouse.org/event/tackling-global-diets-curb-greenhouse-gas-emissions>

## ► *Crime on the Internet: The UK Response*

**Date** : 09 April 2015  
**Place** : London - UK  
**Website** : <http://www.chathamhouse.org/event/crime-internet-uk-response>



► *Russia's International Networks: Impact of the War in Ukraine*

**Date** : 10 May 2015  
**Place** : London - UK  
**Website** : <http://www.chathamhouse.org/event/russias-international-networks-impact-war-ukraine>

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

**Date** : 17 May 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/>

► *Mapping European Competitiveness*

**Date** : 29 May 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/517-mapping-european-competitiveness/>

► *Towards A Digital Single Market: The European Commission Strategy*

**Date** : 08 June 2015  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/522-towards-a-digital-single-market-the-european-commission-strategy/>