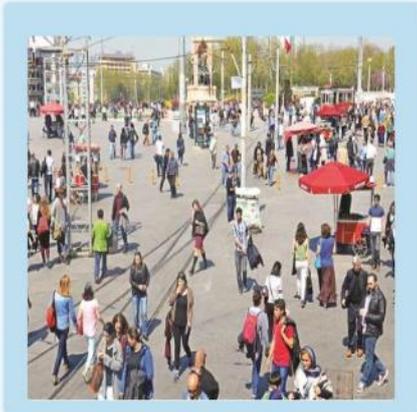


## Turkey's risks likely to increase after election

Hurriyet Daily News, 18.05.2015



Everybody in Turkey is focus on the upcoming general election. What about after the election? Will Turkey have a more predictable future? Will the uncertainty and fog disperse? Will foreign investors return? Will the dollar exchange rate relax?

Even though the last three years have not been so bright, the Justice and Development Party (AKP) has generally lived “la dolce vita” during its 12-year reign. But what lies ahead of us is not easy for the AKP, the main opposition CHP or any of the other parties. Actually, we are entering a “grinder-backbreaking” period.

Everybody knows that either in June or September, the Fed will increase interest rates. Even just mentioning the word “increase” was enough to shake up the environment. To see what has happened to global currencies, let us first look at the currencies of central countries. From May 12, 2014 to May 12, 2015, in one year the euro lost 19 percent of its value against the dollar. The Yen lost 17.7 percent and the Canadian dollar lost 11 percent. The Scandinavian countries and Switzerland adjusted their currencies against the strengthening dollar, also not to lose their exporting powers. Losses against the dollar were more striking in the “emerging countries,” including Turkey. The Russian ruble, also hit by the effect of political sanctions, lost 46 percent. The Brazilian real lost almost 37 percent.

The Turkish lira is nearing a 29 percent loss. The lira was valued at 2.09 dollars on May 12, 2014; it was 2.70 liras on May 12, 2015. What has happened to Russia is obviously different to what has happened to Brazil and Turkey. However, the currencies of other emerging countries such as Poland, Mexico, South Africa and India have lost much less against the dollar. In this differentiation, political vulnerabilities as well as economic vulnerabilities are key. Matters such as doubts over the separation of powers, the independence of the judiciary, an executive that seeks to gather all other powers, illegal practices, and covering up of corruption, are especially keeping foreigners away from Turkey. This gives the lira not opportunity to recover against the dollar. On the contrary, the current account deficit data in the first quarter show that reserves are shrinking and even unregistered foreign currency stocks are rapidly eroding.



First quarter data shows that the problem that already exists in providing the supply of foreign currency needed for the current account deficit is growing. According to Central Bank data, in the first three months of 2014, capital inflows were replaced by capital outflows, reaching \$1.3 billion. When foreign inflows decreased, the foreign currency that was abroad or unregistered (net error and omissions) was provided by Central Bank reserves. In the first quarter of 2014 around \$5 billion from the reserves and \$8 billion from the unregistered items were released. Only with them and the result of increased interest rates was the dollar exchange rate average of 2014 able to be held at 2.20 liras. In the first quarter of this year, the current account deficit was nearly \$11 billion, but capital inflows could not finance the deficit. It remained at \$3.4 billion. It is understood that around \$4 billion from “unregistered” sources and \$3.6 billion from the reserves have been released to the markets. Even this can barely hold the dollar exchange rate within the corridor of 2.65 and 2.70 liras. The burden on Turkey comes from both the non-decreasing current account deficit and also the foreign debt payments due. This need would erode the reserves and unregistered accumulated foreign currencies, but again it looks as if these would not be sufficient to pull the dollar below 2.80 liras toward the end of the year.

What has happened up to now is only a hint of what will happen in the future. For instance, speaking about the lira, the 29 percent devaluation in 12 months does not stop there, it continues. Things will not calm down with June 7 election. If anyone believes that foreigners will bring dollars in abundance to Turkey and pull the prices down after the election, then they are wrong. There are domestic reasons as well as international reasons for this. First of all, the United States is recovering. The U.S. had two major deficits: The current account deficit and the budget. Before the 2008 crisis, its current account deficit reached 6 to 7 percent of the national income. The economy shrank and the current account deficit also shrank. Now it is around 2.7 percent. The public deficit was 10 percent of national income in 2009-2010. In 2015, it went back to 2.8 percent. The growth rate is also recovering.

When the U.S. was in a crisis, the foreign capital that poured into countries such as Turkey helped them live “la dolce vita.” Countries like Turkey were indebted \$4.5 trillion in six years. While the interest rate of the dollar was “zero,” foreign capital rushed to the interest offered by peripheral countries. Now they are returning to the dollar due to rising interest rates in the U.S. How will the peripheral countries that have lost around 20 to 30 percent against the dollar manage with this heavy burden? For instance, Turkey has a foreign debt of \$402 billion and 40 percent of this has to be paid back within 12 months. Is that easy? The overall foreign debt of emerging countries is calculated at \$9-10 trillion. This is a concern to the IMF, which is asking the U.S. to be moderate. If the crash is too hard in other places then it will be difficult for the world economy to recover. The Fed will make the expected increase in June or September. The problem is how will Turkey, which has been pampered with “la dolce vita” survive in the new climate?

International credit rating agencies are also cautioning against the risk after June 7. Standard & Poor’s (S&P) issued a criticism of Turkey at the beginning of May. Even though it did not change Turkey’s rating and outlook, it lowered the rating for the Turkish Lira from BB to BBB-. Foreign investors do not focus too much on the rating about local currency transactions. The bad rating of S&P for the Turkish Lira did not shake the markets but this was an up-to-date and important signal, telling them that the political authority was putting pressure on the Central Bank, restricting its operational independence.

Another credit rating agency, Moody's, in its "Global Macro Outlook" report, also highlighted the risks concerning Turkey. Moody's report said countries such as Turkey and South Africa were more vulnerable to the strong dollar and capital movements.

## Deputy PM: Turkey achieved better than Obamacare

Hurriyet Daily News, 18.05.2015



Deputy Prime Minister Ali Babacan has said the Turkish government has passed health reforms that could not even be realized by U.S. President Barack Obama.

"Obama tried to carry out a health reform, but the draft law didn't pass Congress. His mother lost her life because she didn't have money and could not get medical care. Even Mr. Obama, who experienced this deep sorrow, could not pass a health reform ... But we have passed a comprehensive health reform. We never created populism [about the issue]," Deputy Prime Minister Ali Babacan said in a televised interview on broadcaster 24 TV.

President Recep Tayyip Erdoğan also recently claimed that he once advised Obama to undertake healthcare reforms in the U.S., following a request by American tourists in Turkey. Erdoğan said his U.S. counterpart "could only solve the issue partly" due to "a negative reflex." Speaking in Ankara back on March 18, the Turkish president suggested that other countries were trying to replicate the success of the Turkish model. "I once attended a Friday prayer at the Sultanahmet Mosque [in Istanbul]. There were tourists. Some of them knew that I would be visiting the United States the following week. They asked me how we could be so successful in healthcare and wanted me to tell Obama about it," Erdoğan said. "I then talked about the issue with Mr. Obama. Of course, the negative reflex there [in the U.S.] made it really hard for him," he added, saying the U.S. president "could only partly solve the problem."

## Turkey consumer confidence index falls to six-year low

Anadolu Agency, 21.05.2015



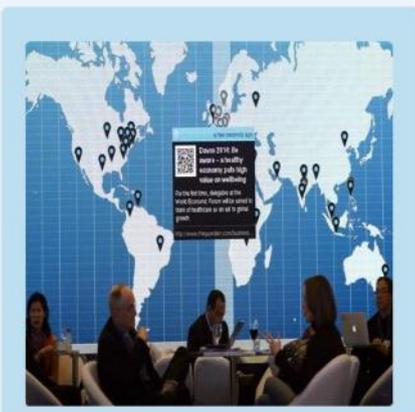
Turkey's consumer confidence index fell in May to 64.29 points, its lowest in more than six years, from 65.35 in April, the Turkish Statistics Institute (TÜİK) said.

The index indicates an optimistic outlook when it is above 100 and a pessimistic outlook when below 100. While household expectations for finances were little changed, expectations for future income were also lower in May. The general economic situation index declined by 0.7 percent to 85.50 in May, while the number of consumers expecting a better general economic situation in the next 12 months decreased.

However, the index measuring the expectations of financial situations of households came in at 86.18 in May, slightly up from 86.16 in the prior month. The index measuring the prospects of savings declined by 11.6 percent to 19.79 in May, showing that there was a decrease in consumers' expectations that savings would rise in the next 12 months. The index measuring expectations for the number of unemployed people declined by 1.6 percent to 65.70 over the same period.

## Turkey second worst performer of Europe, Central Asia in human capital index

Hurriyet Daily News, 20.05.2015



Turkey has regressed eight places in the latest Human Capital Index of the WEF. It now ranks 68 out of 124 countries and is the second worst in Europe.

Among countries in Europe and Central Asia, Turkey and Moldova, 71, hold the last spots in the region, according to the WEF's 2015 Human Capital Report. "The bottom-ranked countries in the region are Moldova and Turkey, which exhibits a low labor force participation rate for its 25–54 prime working age group, despite strong tertiary and vocational enrolment rate among its 15–24 age group," said the report.

Finland, Norway and Switzerland are the best performing countries of the region and overall, while Canada, Japan and Sweden rank next best on the index. “Finland benefits from a well-educated young population with the second best basic education survival rate and the highest score for the quality of primary schools. Its 25–54 age group core working population shows the highest tertiary educational attainment rate in the Europe and Central Asia region but also second best overall in the world,” said the report. Turkey ranked 61 in terms of human capital development below the age of 15, while it ranked 50 for 15-24 age group, and 77 for its 25-54 age group. Turkey also ranked 78 for its 55-64 age group and 70 in the category of those over 65. With its per capita income at around \$10,000 a year, Turkey is among the upper-middle income group on the index, which comprises countries with a gross domestic product per capita between \$4,126 and \$12,745.

Talent, not capital, will be the key factor linking innovation, competitiveness and growth in the 21st century, the Human Capital Report said. The Human Capital Index ranks 124 countries on how well they are developing and deploying their human capital, focusing on education, skills and employment, while aiming to understand whether countries are wasting or leveraging their human potential. According to the report, fulfilling peoples’ potential could boost global GDP by 20 percent.

## Turkish companies make \$6.8 billion worth of FDI in 2014

Anadolu Agency, 19.05.2015



Turkish companies made foreign direct investments (FDI) worth a total of \$6.8 billion in 2014, an increase of 89 percent from the previous year, according to a report released by the United Nations Conference on Trade and Development.

The UNCTAD stated that companies in Turkey have consistently increased their level of outward foreign direct investment in recent years, barring a slight decline in 2013. The report also showed that the overall share of total global FDI undertaken by companies in developing economies rose to 36 percent in 2014, up from just 12 percent in 2007.

FDI from emerging economies, meanwhile, increased by 30 percent in 2014, according to report. The Asia region has become, for the first time, the world’s largest investor in other countries, with investments abroad worth \$440 billion. Asia is followed by North America (\$390 billion) and Europe (\$286 billion). Hong Kong and China were the second and the third largest investors in the world, after the United States. Among the 20 largest investors, nine were either from developing or transition economies, included Hong Kong, China, Russia, Singapore, South Korea, Malaysia, Chile, Kuwait and Taiwan.

Last year, foreign investments from Japan, the world's third largest economy, shrank by 16.3 percent to \$114 billion, a decline second only to that of Africa, where FDI dropped 20.6 percent to \$11 billion. The UNCTAD said separately that the world's second largest economy, China, was the top destination for foreign direct investment in 2014, edging the U.S. out of that position for the first time since 2003.

## Turkey's defense industry exports value up slightly in 2015

Anadolu Agency, 22.05.2015

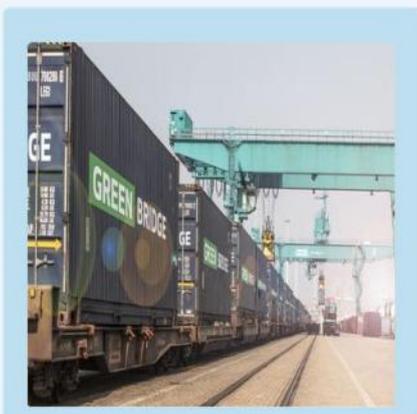


Turkey's defense exports for the first four months of this year were valued at \$461 million, a 1.36 percent increase from the same period last year, according to figures from the TİM.

The U.S. was the largest purchaser of Turkish defense hardware with 40 percent of the country's total defense exports, worth a total of \$182 million. Other major markets were Malaysia with \$54 million, and Spain, which spent around \$33.5 million. The top export items were aircraft and helicopter parts, engines, armored land vehicles, speed boats, missiles, rockets, launch platforms, light weapons and electronic systems.

## Turkey's Netlog to meet with potential investors soon over stake sale

Reuters, 20.05.2015



Netlog is looking to sell a stake to an investor to help to expand its business, which already has distribution warehouses in Europe, the Middle East and North Africa.

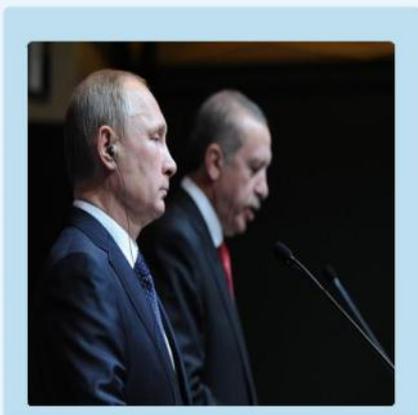
Netlog hired U.S. bank Citi last year to look at various options and is planning to enter formal negotiations with potential investors by the end of the summer, Gökalp Çak, vice chairman of the firm, said. "Meetings with potential investors are likely to begin at the end of August," Çak told. Private equity funds and investment banks were among the parties interested in buying a stake in the company, which has an estimated value of more than \$700 million, Çak said.

“We’re looking for a partner that could properly assess the value of the company and want to tap their expertise to further expand.” Netlog mainly operates in warehousing and distribution of food items, fashion and lifestyle, pharmaceuticals and general industrial goods. The size of the stake to put up for sale is not yet clear but the family will keep control of the firm. The company, established by Çak’s father, has seen sales grow by at least 25 percent every year since 2009. In 2014, annual sales were 1.6 billion lira (\$616 million), producing earnings before interest, tax, depreciation and amortization of 126 million lira. It has about 7,000 employees. “We would either stay as a niche firm operating in the Turkish market, or would expand to operate at a broader regional level to draw in global customers,” Çak said, explaining why the company decided to buy Belgian warehousing and distribution firms Belspeed and TNT Fashion in 2013 and 2014.

These purchases allowed Netlog to offer services across Europe, the Middle East, North Africa and central Asian countries. It has warehouses in Britain, the Netherlands, Belgium, Dubai and Turkey, Çak said. “Now I can come out and pitch for hub-and-spoke operations of bigger companies for the region.” If the stake sale goes ahead, it would be the latest in a string of foreign deals in Turkey that accelerated in May. Early this month, French dairy producer Lactalis bought 80 percent of Turkish dairy producer Ak Gıda with an estimated market value of \$1 billion. German food distribution platform Delivery Hero bought Turkish online food distributor Yemeksepeti in a deal worth \$589 million.

## I don’t want to act like Putin, Erdoğan tells businessmen

Anadolu Agency, 19.05.2015



Turkish President Recep Tayyip Erdoğan has said he “doesn’t want to act like Russian President Vladimir Putin” in the economy, referring to a story that the latter once told him.

“Putin met businesspeople who did not want to make any investments ... He told me that he had urged them to invest and threatened to confiscate their assets if they did not. Putin invited one of the businessmen who had started to shake and made him sign the first deal. Only then did he let him go. We do not want to do this kind of thing,” Erdoğan said at a meeting with representatives from several non-governmental organizations in the Central Anatolian province of Kayseri.

“We have laid the groundwork for doing business for our businesspeople, across Turkey’s entire 780,000 square meters,” he added. Erdoğan also said Anatolian businesspeople were no longer treated like provincial “Black Turks” by “White Turks” in big cities, using two colloquial terms to refer to Turkey’s long-running cultural divide.

# China's bank completes takeover of Tekstilbank

Reuters, 22.05.2015



The Industrial and Commercial Bank of China Limited (ICBC), the world's largest bank, has completed a takeover of some 75.5 percent of the stakes in Turkey's Tekstilbank.

"As of the date of this announcement, some 75.5 percent of Tekstilbank is held by the ICBC. After completion of the transaction, the ICBC will make a tender offer for the remaining shares of Tekstilbank, held by public shareholders, in accordance with Turkish regulatory requirements," said the board of the ICBC in a written statement. BDDK approved the sale of the stakes that local company GSD owns in Tekstilbank to the ICBC at the beginning of April 2015.

The sale was finished after all procedures had been completed at the end of April. The ICBC said last year that it had agreed to buy a GSD Holding's stake in Tekstilbank for \$316 million. The acquisition would enable ICBC to explore new business opportunities with high growth potential, the Chinese lender had said then.

# Egypt militants call for attacks on judges

AFP, 21.05.2015



ISIL in Egypt have called for attacks on judges in retaliation for the hanging of six convicted militants and a crackdown on Islamists.

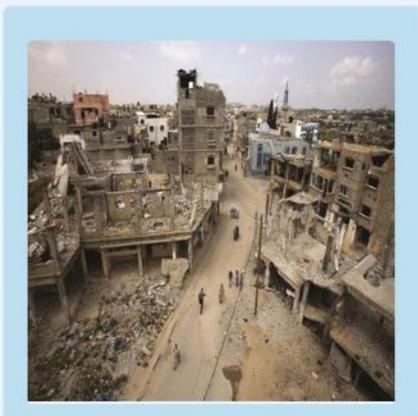
The audio message, posted online, comes days after militants in the Sinai Peninsula gunned down two judges, a prosecutor and their driver, in the first such attack in Egypt. Militants who pledged allegiance to the ISIL group have killed scores of soldiers and policemen in Sinai since the army toppled Islamist president Mohamed Morsi in 2013. Morsi's overthrow unleashed a deadly crackdown on his followers, with hundreds killed in street clashes and thousands imprisoned.

Dozens of people have been sentenced to death, but only seven have been executed, including the six convicted militants who were hanged on May 17 for killing soldiers. The audio recording hailed the executed men as "brothers and brave lions" and vowed revenge.

“By God, we will seek vengeance for our brothers and others like them, from the party that sentenced them, and the party that implemented the sentence,” it said. The recording called on Egyptians to free prisoners and attack judges and soldiers.

## Monitor: ISIL enters Palmyra city limits in Syria

Reuters, 20.05.2015



Jihadists from the Islamic State of Iraq and the Levant (ISIL) entered the northern city limits of ancient Palmyra, seizing a state security building after intense fighting, a monitor said.

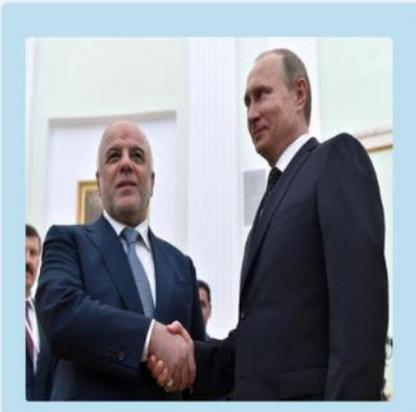
“The jihadists are once again in the north of Tadmur, after taking over the state security building,” Rami Abdel Rahman, director of the Syrian Observatory for Human Rights, told AFP, using Palmyra’s Arabic name. “They also seized a checkpoint in the same area,” he said. ISIL’s new advance comes after fierce clashes with Syrian government forces on the northern and eastern edges of Palmyra. ISIL seized most of Palmyra’s northern neighbourhoods.

Fighting raged near security buildings in northern Palmyra, and close to the city’s notorious prison in the east. The jihadist offensive on world heritage site Palmyra began on May 13 and has since left more than 350 people dead. Mohammad, an activist originally from Palmyra, told AFP that the city was suffering from water shortages and intermittent electricity. “A large number of people from the city’s north have been displaced into other neighbourhoods. Some are sleeping in the streets,” he said. ISIL jihadists seized two gas fields north of Palmyra that the regime had been using to generate electricity for areas under its control.

Antiquities officials fear that ISIL wants to destroy Palmyra’s pre-Islamic cultural treasures, which include colonnaded streets and ancient citadels. The city is also strategically located at the crossroads of key highways leading west to Damascus and Homs, and east to Iraq. In Idlib, a regime air raid on the opposition-controlled village of Darkush left at least 22 civilians dead on May 19, the Observatory said. Darkush lies on the Syrian-Turkish border, just 50 kilometres (30 miles) northwest of Ariha, one of the last remaining regime bastions in Idlib province. A rebel coalition including Al-Qaeda’s Syria branch seized control of the Al-Mastumah camp -- the largest military base in Idlib. A huge blast and fierce explosions rocked the site, and rebels swiftly overran the base as regime forces fled south to Ariha. According to the Observatory and Syria’s state television, a teacher was killed and at least 20 students wounded May 20 when mortar rounds landed on their school in Damascus. Syria’s conflict began in March 2011 with peaceful anti-government demonstrations, but has evolved into a complex war that has left more than 220,000 people dead.

# Russia offers military aid to Iraq during PM visit

AFP, 21.05.2015



Russia offered visiting Iraqi Prime Minister Haidar al-Abadi military and other aid to help push back the ISIL militants who have made further sweeping gains in both Iraq and Syria.

The advances by ISIL, which captured the Iraqi city of Ramadi last weekend and was tightening its grip on the historic city of Palmyra in neighbouring Syria, have exposed the shortcomings of Iraq's army. In going ahead with his visit to Moscow despite the worsening security crisis, Abadi said he had wanted to underline the importance of his country's ties with Russia, adding that he had disregarded "certain forces" advising him to cancel the trip.

"We are expanding cooperation in the area of military technology," Russian President Vladimir Putin said at the start of talks with Abadi in the Kremlin, hailing Iraq as an "old and reliable partner in the region". "Our relations are developing very successfully ... Our companies are working in your country and we are talking of investments in the order of billions of dollars," Putin added, without elaborating. Russian companies were involved in the Iraqi economy for decades during the rule of Saddam Hussein and strongly opposed the US-led invasion of Iraq in 2003 which ousted the dictator and ushered in a prolonged period of turmoil. Russian Foreign Minister Sergei Lavrov said Moscow would make every effort to help Iraq defeat ISIL, whose capture of Ramadi last weekend was the most significant setback for the Baghdad government in a year. "We are focused on developing ties in all spheres, including military-technical cooperation, economic cooperation and cooperation in the oil and gas sector," Abadi said. Weak global oil prices have prompted Russia to seek closer ties with the Organization of the Petroleum Exporting Countries (OPEC), of which Iraq is a member. Russia, one of the world's biggest non-OPEC oil producers, is scheduled to hold consultations with the group ahead of an OPEC policy-making meeting in Vienna next month.

# EU summit pledges €1.8bn to Ukraine but Russia remains elephant in room

The Guardian, 22.05.2015



European leaders pledged Ukraine €1.8bn and the vague prospect of visa-free travel at an EU summit in Riga where the Kremlin's newly assertive policy in eastern Europe was the elephant in the room.

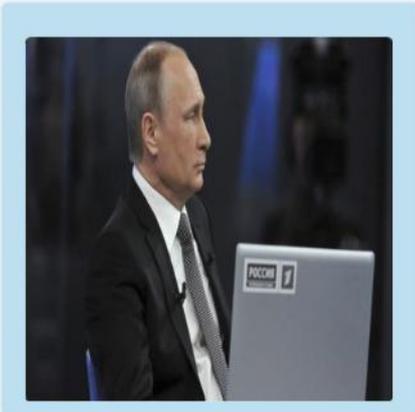
While David Cameron was in Riga to discuss Britain's demands ahead of a referendum on EU membership, the main topic of the broader summit was the Eastern Partnership, a programme set up in 2009 to bring post-Soviet countries into Europe's orbit. A vaguely worded statement affirmed the "high importance" of the partnership, but in reality the Riga summit showed just how different the countries are.

Eventual EU membership has never been an overt part of the partnership, and in the intervening years since it was launched, Azerbaijan has cooled on EU integration while Belarus and Armenia have signed up to Vladimir Putin's rival Eurasian union project. The Latvian foreign minister, Edgars Rinkevics, said: "This summit takes place in a completely different environment to previous ones." There had been wrangling over the final text of the summit statement, with Belarus and Armenia not willing to sign up to a statement condemning the "annexation" of Crimea by Russia, and some European nations uneasy about liberalised visa regimes for Georgia and Ukraine.

Three of the six nations – Moldova, Georgia and Ukraine – are still signed up to the European integration project. Most notable is the new pro-western Ukrainian administration of President Petro Poroshenko, who came to power after his predecessor Viktor Yanukovich was ousted following protests sparked by his refusal to sign an EU free trade agreement. "During these 18 months, the Ukrainian people ... made a revolution of dignity, and paid a very high price for their European choice," said Poroshenko after the talks. EU and Ukrainian officials signed the €1.8bn loan agreement to help with the ailing Ukrainian economy, which requires Ukraine to make a number of structural and anti-corruption reforms. But there were only the most carefully couched promises on visa liberalisation for Ukraine and Georgia, a key carrot for the two countries, and no mention at all of any future membership prospects. "Georgia and Ukraine might enjoy a visa-free regime next year," said the Latvian prime minister, Laimdota Straujuma, but it would depend on them "actively working to meet all the commitments to receive a positive opinion". One EU official said the problem was that the alliance demands "the expectation of serious reforms, but little concrete in response", while Russia offers "cash with no strings attached when it comes to domestic policy, only foreign policy". Giga Bokeria, an official from Georgia's opposition United National Movement, said: "I think the decision not to allow a roadmap for Ukraine, Georgia and Moldova to become EU members at some point, even far in the future, is a fundamental geopolitical mistake. This would stimulate internal reforms and make it less easy for Russia to make counter-offers."

# Russia bans ‘undesirable’ international organisations ahead of 2016 elections

The Guardian, 15.05.2015



Russia’s parliament has passed a law banning “undesirable” international organisations, raising fears of a further crackdown on voices critical of the Kremlin.

The prosecutor general and foreign ministry can register as undesirable any “foreign or international organisation that presents a threat to the defensive capabilities or security of the state, to the public order, or to the health of the population”. Blacklisted groups will be forbidden from operating branches or distributing information in Russia and banks will have to notify the prosecutor general and justice ministry of any financial transfers involving them.

Although the language of the threat posed was vague, the bill’s authors suggested that international NGOs often work in the interests of foreign intelligence agencies. The legislation was passed in its third and final reading on Tuesday by a vote of 440 to three, with one deputy abstaining. Before it becomes law, it must be approved by the upper house of parliament and signed by the president, Vladimir Putin, steps that are all but guaranteed. Putin has frequently named NGOs as a threat to national security. “Western special services continue their attempts at using public, non-governmental and politicised organisations to pursue their own objectives, primarily to discredit the authorities and destabilise the internal situation in Russia,” Putin told senior officials of the federal security service in March. “They are already planning their actions for the upcoming election campaigns of 2016-18.”

The goal of the legislation, according to co-sponsor Alexander Tarnavsky, is to “denote that there are foreign organisations that are unfriendly to Russia,” state news agency Tass reported. “Today is such a time when it’s impossible not to notice that some foreign organisations that don’t conduct themselves in the best manner,” Tarnavsky said. “They do this for different reasons, some at the request of intelligence services, some on the basis of other considerations.” Human Rights Watch and Amnesty International have condemned the legislation as a “draconian attack on civil society” and the presidential human rights council said it was unconstitutional. The terms in the law are ambiguous enough that it could also be applied to commercial organisations, according to an analysis by the news outlet Meduza. Although groups such as Human Rights Watch could be declared undesirable under the legislation, the group’s Russia director Tanya Lokshina said the bill’s real target was not foreign businesses or international NGOs, but the Russian groups and activists that work with them. She said it was probably being adopted ahead of time to stem any dissent that could arise around next year’s parliamentary elections. “The law appears to be designed for select application; it’s likely it will be implemented against organisations that are critical of the government and then their Russian friends and partners,” Lokshina said. “I think the law is aimed at suffocating Russian civil society, cutting them off from their international partners, leaving them in limbo.”

Sanoma sells Vedomosti stake amid concerns over Russian media laws. An individual found guilty of “participation in the activities” of a blacklisted organisation can be fined between 5,000 and 15,000 roubles (£200), officials can be fined between 20,000 and 50,000 roubles and organisations can be fined between 50,000 and 100,000 roubles. Offenders fined twice in the same year will face criminal penalties including a prison sentence of two to six years. Something as innocuous as participating in a panel discussion with a blacklisted organisation could be punished under the legislation, Lokshina said. The “undesirable” organisation legislation is the latest in a string of measures cracking down on civil society that followed widespread opposition protests about Putin’s return to the presidency in 2012. He signed a law requiring “political” organisations that received funding from abroad to register as “foreign agents”. At least 60 groups, including leading Russian human rights organisations such as Memorial, were given the demeaning label, which is also often used to refer to spies, and several were forced to shut down. In 2014, the parliament passed a controversial law limiting foreign ownership of Russian media holdings to 20%. As a result, the Finnish group Sanoma sold its stake this month in the influential business newspaper Vedomosti to a Russian businessman. The “undesirable” organisation bill “goes further, but it’s part of the same trend, the trend of repressing independent activists, independent civil society, repressing protesters”, Lokshina said.

## French, German leaders hold talks with Greek PM in Riga

AFP, 22.05.2015



Greek Prime Minister Alexis Tsipras held “friendly and constructive” debt talks with the leaders of France and Germany, but gave no sign of a breakthrough ahead of a crucial June deadline.

Angela Merkel, Francois Hollande and the Greek premier “focused on the desire to reach an agreement on the current programme” to support Greece’s finances, an aide to the French leader said. After almost two hours of talks the three “agreed on the need for the Greek authorities to keep working with the three institutions”, the aide said, referring to Athens’ “troika” of creditors.

A Greek government source added that Merkel and Hollande “understood the need for a long-term deal” and said they were prepared to “personally contribute, if needed, to conclude the agreement soon.” Greece’s radical-left government and its international creditors have been locked in talks for months over reforms needed to release a final 7.2 billion euros (\$8.2 billion) in bailout funds Athens needs to avoid defaulting on its debt and possibly crashing out of the eurozone. The delay in reaching an agreement has led to concerns Athens is running critically short of cash and may soon end up defaulting, which could set off a messy exit from the euro.

Spain's Economy Minister Luis de Guindos, one of the frontrunners to take over the presidency of the Eurogroup this year, said May 21 he expects Greece will reach an agreement with its bailout creditors in the "coming days". Hollande stressed it was up to the European Union -- not France or Germany -- to find a solution to the crisis. "It will not be here, in Riga, that we will negotiate the question of Greece, but it is true that it allows us to prepare for the upcoming deadline, particularly for the Eurogroup meeting at the end of the month or in early June," the French president told journalists. "Along with Mr Tsipras, we want to find solutions that will give confidence and release the... funds," he added. "We (France and Germany) are working to make things easier, and at the same time to pass on some messages that are useful for Greece and for Europe," Hollande said.

Greece must make a new debt repayment to the International Monetary Fund. It has been less than 10 days since Athens raided an emergency account to pay its last instalment of 750 million euros, and it may not be able to meet its next deadline. The EU and IMF are demanding tough labour market and pension reforms from Greece in return for the bailout funds, however the reforms contradict the election promises that swept Tsipras's party into power.

## 'Hello dictator,' Juncker says to Hungary's Orban

Reuters, 22.05.2015



Jean-Claude Juncker teased Viktor Orban over his strongman reputation Friday, jokingly greeting him as "dictator" as he arrived at an EU summit in Riga.

The right-wing Orban has angered and infuriated his EU peers for years, carrying out sweeping constitutional and institutional changes that critics say have curbed press freedom and judicial authority. "Hello, dictator," Juncker was overheard to say to Orban. Reporters said they had not been able to hear what Orban had said in reply, if anything, but Juncker was clearly in a playful mood as he received EU leaders alongside Donald Tusk and Laimdota Straujuma.

Juncker also chided Greek Prime Minister Alexis Tsipras for his dress sense, with the left-winger declining to wear a tie as usual. The dictator jibe from Juncker recalled a bitter row caused by US Republican Senator John McCain who labelled Orban a "neofascist dictator" in December last year. Orban called McCain's remarks an "attack on national independence". The Hungarian leader again angered EU lawmakers and officials this week by insisting that Budapest had the right to debate closing the door to migrants and reintroducing the death penalty. "Hungarians talk straight about tough things. We don't like to beat about the bush. We are a frank people," Orban said on a visit to the European Parliament in Strasbourg.

# European nations synchronise laws on Islamist ‘foreign fighters’

AFP, 20.05.2015



Ministers from 47 European nations agreed for the first time to harmonise their laws to stop so-called foreign fighters travelling to Iraq and Syria to join jihadist groups.

The agreement by the Council of Europe, a pan-European rights group which includes the EU but also takes in countries such as Russia and Turkey, will make cross-border tracking and prosecutions easier. Under the agreement signed by foreign ministers, countries must criminalise acts such as “participating in an association or group for the purpose of terrorism”, “receiving training for terrorism” and “travelling abroad for the purpose of terrorism”.

They also agreed to set up a round-the-clock information sharing network on relevant suspects. “The police of the different member states will be able to make contact with the police in other countries when they arrest on their borders people who are suspected of being foreign fighters,” CoE Secretary General Thorbjorn Jagland told a news conference. Member states still have to ratify the deal individually following meeting in Brussels of the group, which was set up shortly after World War II. A lack of agreement between countries over how legally to define suspects had been a major obstacle to the creation of an EU database of “foreign fighters” from European nations. EU nationals who have returned to Europe after joining the jihadist cause in the Middle East have been implicated in several recent attacks including the Charlie Hebdo massacre in Paris in January and an attack on the Brussels Jewish Museum in May 2014.

# N.Korea cancels visit by UN chief, claims nuclear breakthrough

Reuters, 20.05.2015



North Korea said it has the technology to make nuclear missile warheads, less than two weeks after announcing it had launched a ballistic missile from a submarine.

It also cancelled a visit by UN chief Ban Ki-moon, a day after he accused it of fuelling regional tensions. "It has been a long time since we began miniaturising and diversifying our means of nuclear strike," Pyongyang's powerful National Defence Commission (NDC) said in a statement on the official news agency. "We have also reached the stage where the highest accuracy rate is guaranteed, not only for short- and medium-range missiles but long-range missiles as well."

Earlier this month the North claimed it successfully test-fired a submarine-launched ballistic missile (SLBM), a development which -- if confirmed -- would allow the deployment of nuclear weapons far beyond the Korean peninsula. Ban had urged the North to avoid any actions that could escalate military tensions. A day later, he announced that Pyongyang had cancelled his invitation to visit the Kaesong industrial zone inside the North this week. "No explanation was given for this last-minute change," the UN chief, a former foreign minister of South Korea, told a forum in Seoul. "This decision by Pyongyang is deeply regrettable," Ban said. "However, I as the secretary-general of the United Nations, will not spare any efforts to encourage the DPRK (North Korea) to work with the international community for peace and stability on the Korean peninsula and beyond."

The NDC, which is chaired by leader Kim Jong-Un, said the SLBM test "represents a higher stage in our efforts to develop strategic striking forces" as part of strengthening its defences. "The United States and its cronies must stop kicking up a ruckus over our measures to strengthen self-defence capabilities," it said. The North has conducted three atomic tests and has long had nuclear weapons. But it was unclear whether it possessed the technology to deliver them by missile. However the US top homeland security commander, Admiral William Gortney, said last month the North is capable of mounting a miniaturised nuclear warhead on its new KN-08 intercontinental ballistic missile. Ban had planned to travel to the Kaesong industrial estate, a joint enterprise between Pyongyang and Seoul 10 kilometres (six miles) over the border inside North Korea. It hosts around 120 South Korean firms employing some 53,000 North Korean workers. Had the visit gone ahead, Ban would have become the first UN secretary-general to set foot in the communist state for more than 20 years, since Boutros Boutros-Ghali in 1993. But he was not expected to have any high-level talks during his brief visit.

Kaesong was established in 2004 as a rare symbol of inter-Korean cooperation. Ban, who has been visiting South Korea this week, said Tuesday the project was a “win-win model for both Koreas”. The cancellation comes at a time when the two Koreas are again mired in a dispute over wages at Kaesong, with Pyongyang insisting on unilaterally imposing a pay rise for its workers. Aside from the Kaesong dispute, tensions have again intensified after North Korea’s claimed test of the SLBM. “If the DPRK’s activities continue, we could see more arms competition and rising tension throughout this region,” Ban said in Seoul on May 19, urging North Korea “to prevent escalation” and resume talks.

At the same forum South Korean President Park Geun-Hye said North Korean belligerence was threatening stability across the Asian region and remarked on “its reign of terror” with high-level purges. South Korea’s intelligence agency reported last week that North Korea’s defence minister had been purged and most likely executed for insubordination and dozing off during a formal military rally. Analysts said that in the context of rising international concern over its conduct, North Korea had seemingly decided that Ban’s visit to the industrial zone was not worth it. “North Korea was apparently concerned that Ban’s trip to Kaesong might have exposed itself to greater pressure from the outside world to change its course,” Kim Yeon-Chul of Inje University in South Korea said. Professor Yang Moo-Jin of the University of North Korean Studies said the North’s military, which controls passages through the border, was believed to have objected to Ban’s visit, taking issue with the remarks he made.

## Six Baltimore police officers indicted over Freddie Gray death

AFP, 22.05.2015



A grand jury indicted six Baltimore police officers May 21 over the death of African-American Freddie Gray in their custody last month, a state attorney said.

The six officers were previously charged and are now indicted in connection with the arrest and death of 25-year-old Gray, who succumbed to a serious spinal injury suffered while in the back of a police van in April. One officer is indicted for second-degree murder. State Attorney Marilyn Mosby said the grand jury found probable cause to formally indict the officers, adding they were expected to appear in court in July.

“Now that the grand jury has also found probable cause to charge the aforementioned officers based upon the evidence, these officers, who are presumed innocent until proven guilty, are now scheduled to be arraigned on July 2nd,” Mosby told reporters. Mosby announced criminal charges against the officers this month, and there were a few changes on the indictment sheet. All six officers now face reckless endangerment indictments, while three charges of false imprisonment were dropped.



Four of the officers were indicted for manslaughter, which also appeared in the original charges. Other indictments against some of the officers include vehicular manslaughter, misconduct in office and assault. Gray's death on April 19 sparked days of sometimes violent protests in Baltimore, Maryland's largest city and an hour's drive north of the US capital, and in other major US cities. Protesters torched buildings and police cars and looted stores, prompting Baltimore officials to enforce a city-wide curfew. The violence left dozens of officers injured and led to hundreds of arrests. The US Department of Justice has launched a federal civil rights investigation into whether police in Baltimore have systematically discriminated against residents.



## Announcements & Reports

### ► *Europe's New Military Operation against Human Smugglers and the Migration Crisis in the Mediterranean*

**Source** : CSIS

**Weblink** : <http://csis.org/publication/europes-new-military-operation-against-human-smugglers-and-migration-crisis-mediterranea>

### ► *The Defeat in Ramadi: A Time for Transparency, Integrity, and Change*

**Source** : CSIS

**Weblink** : <http://csis.org/publication/defeat-ramadi-time-transparency-integrity-and-change>

### ► *Saudi Arabia to Washington: A Royal Snub*

**Source** : Brookings

**Weblink** : <http://www.brookings.edu/blogs/markaz/posts/2015/05/11-saudi-gcc-summit-obama-snub>

## Upcoming Events

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

**Date** : 24 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** : 24 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** : 27 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** : 28 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/>