

## Report: Babacan part of new economy team

Reuters, 25.05.2015



Two high-ranking officials in Ankara told Reuters Ali Babacan will stay on in at least an advisory role to Ahmet Davutoğlu, if the AKP forms the next government.

“There’s absolutely no doubt Babacan will be part of the economic team. There’s no title in place for now, but he’ll work closely with Davutoğlu either as a key advisor in charge of the economy or another position,” officials said. For many foreign investors, the key election question is the future of Babacan, the 48-year-old Fulbright scholar and Northwestern University MBA long seen as an anchor of investor confidence.

Babacan, in charge of the economy for much of the AKP’s 13 years in power, is prevented from standing for re-election because of the party’s three-term limit. Finance Minister Mehmet Şimşek is also expected to retain a position, while İbrahim Turhan, a former deputy central bank governor and ex-chairman of the Istanbul stock exchange, is seen as a potential member. Turhan was among a delegation that went to New York in March in an attempt to calm investors’ concerns after Erdogan’s criticism of the central bank, equating high interest rates with treason, exacerbated a sell-off in the lira. Keeping Babacan and Şimşek in the economic team would reassure foreign investors and be positive for the currency, at least in the short term, said Vedat Mizrahi, a managing director at financial services firm Ünlü & Co.

Turkey has enjoyed years of breathtaking growth under the AKP. In 2002, per capita GDP averaged \$3,600, just ahead of Equatorial Guinea. By 2013 it had trebled to \$11,000, higher than Malaysia. With annual output of more than \$800 billion, Turkey is now comfortably among the world’s top-20 economies. But growth has stalled, slipping to 2.9 percent last year, from more than 4 percent in 2013. Critics say Turkey relies too much on construction, private consumption and debt, and desperately needs to boost household savings. “The Turkish economy is sort of a bubble. It’s living off foreign capital being pumped in, which has made it possible for people to borrow and consume,” said Halil Karaveli, managing editor of The Turkey Analyst. “The savings rate in Turkey is extremely low. You’re totally dependent on inflows of foreign capital, which has sustained consumption and it has sustained this construction boom.” Turkey’s current account deficit, which was over 5 percent of GDP last year, remains a worry, as does household debt.

# Turkey's vegetable, cereal production expected to rise after draught year

Hurriyet Daily News, 26.05.2015



The production of fruits, vegetables and cereals and other crops is expected to increase when compared with previous year, the Turkish Statistics Institute (TÜİK) said.

“An increase is expected in the production of cereals and other crops, fruits and vegetables in the first estimation of 2015 with rates of 9.6 percent, 6.1 percent and 3.2 percent when compared with the previous year. Production quantities of cereals and other crops, vegetables and fruits in 2015 are predicted approximately as follows: 65.3 million tons for cereals and other crops, 29.5 million tons for vegetables and 18.2 million tons for fruits,” the agency said.

The TÜİK has estimated that in 2015, cereal production will increase with a rate of 17.5 percent when compared with the previous year, and become approximately 38.4 million tons. Wheat production was expected to increase by 18.4 percent to become 22.5 million tons, barley production by 27 percent to 8 million tons, rice in the husk production will increase by 10.8 percent to 920,000 tons and maize production by 5.9 percent to 6.3 million tons, when compared with the previous year. Despite the expected rise in Turkey's cereal production after a drought year, the Food and Agriculture Organization (FAO) of the United Nations has expected a decrease of around 1.5 percent in global cereal production, to 2.51 billion tons. Turkey's cereal production decreased 12.7 percent last year to 32.7 million tons, due to harsh drought conditions.

Vegetables production was expected to increase in 2015 compared with the previous year as well. The production of vegetables in 2015 has been estimated to be approximately 29.5 million tons, an increase of 3.2 percent when compared with the previous year. When examining production of subgroups of vegetables, root and tuberous vegetables production were expected to increase by 5 percent, other vegetables not elsewhere classified with a rate of 0.6 percent and vegetables cultivated for their fruits were expected to increase by 3.2 percent. It was also estimated that fruits production will be 18.2 million tons in 2015, increasing by 6.1 percent when compared with the previous year.

## Turkey's economic confidence index rises by 1.5 pct in May

Doğan News Agency, 27.05.2015



Turkish economic confidence index increased by 1.5 percent to 80.1 percent in May, a second upward move after a plunge in March, according to the TurkStat. The index dived by 15.4 percent in March to 74.8 percent.

The increase in economic confidence index stemmed from increases in the real sector (the manufacturing industry), services, retail trade and construction confidence indices. The economic confidence index indicates an optimistic outlook about the general economic situation when the index is above 100. Conversely, it indicates a pessimistic outlook when it is below 100.

Compared to the previous month, the real sector confidence index rose by 1.2 percent, services confidence index by 0.1 percent, retail trade confidence index by 1.4 percent and construction confidence index by 2.9 percent in May, while the consumer confidence index fell by 1.6 percent over the same period. Economic confidence index is a composite index that encapsulates consumers' and producers' evaluations, expectations and tendencies about the general economic situation.

## G-20 investors meet in Istanbul

Hurriyet Daily News, 28.05.2015



High level representatives of development finance institutions, long-term investors and major multilateral financial institutions gathered in Istanbul on the occasion of the third D-20 conference.

The D-20 is a group of diverse financial institutions which share a common mission to support the converging public policy objectives of the members of the G-20, their respective shareholders. The main theme of the conference was "Infrastructure as a Long Term Tool for Sustainable and Comprehensive Growth," with models targeting the long-term non-bank financing of infrastructure projects.

Additionally, social infrastructure investments targeting social welfare, health and productivity were discussed in detail. One of the results of the conference was a statement issued by the D-20 members to be presented in preparation for the G-20 summit. Özcan Türkakın, CEO of Turkish lender TSKB, in his opening remarks at the D-20 conference stated: "We all acknowledge the positive impact of infrastructure investments on economic growth. On the other hand, we have a lot of ground to cover in developing models of PPP to incentives and related regulations. I take pride in being amongst the signatories of the statement of the conference that encompasses a high level of commitment and social responsibility by all participating parties of the D-20." Turkey assumed the G-20 presidency in December 2014.

## Property sales soar almost 50 percent in Turkey

Anadolu Agency, 25.05.2015



The number of property sales increased by 42.7 percent in April to 119,317 from the same period of the previous year, according to data released by TÜİK.

Additionally, mortgaged house sales throughout Turkey reached 46,063, an increase of 96.5 percent compared to the same month of the previous year. Istanbul had the highest share of house sales at 19.4 percent, with 23,197 houses sold in April, followed by the capital city of Ankara, with around 14,000 houses, and the Aegean province of İzmir, with 7,669 houses, according to the TÜİK data. The least number of houses were sold in the eastern province of Hakkari.

Some 46,063 houses were sold in mortgaged loans, a 96.5 percent increase from the same month of the previous year, which constituted 38.6 percent of all sales in the country. Some 52,598 brand new houses were sold in April, an increase at 40.1 percent compared to the same month of the previous year, reaching record-high levels. First house sales had a 44.1 percent share of all house sales in Turkey, according to the TÜİK data. Istanbul was ranked first among provinces with the most first house sales with a share of 20.3 percent. In house sales to foreigners, Istanbul ranked first with 584 sales in April 2015. It was followed by the Mediterranean resort of Antalya with 507 house sales, Bursa and Yalova with 133 house sales, Aydın with 90 house sales, Mersin with 76 house sales and Sakarya with 63 house sales.

# Turkey plans to produce domestic airplane by 2019

Anadolu Agency, 27.05.2015



The Turkish government has introduced a national airplane construction project entitled “A Turk in the sky,” with jets completely designed and built by Turkish engineers and flying as soon as 2019.

“The first plane to be built within the framework of Dornier 328 model will start flying in 2019,” Prime Minister Ahmet Davutoğlu said. “The design of the 628 model airliner will be completed in 2020. The first [628] flight will be in 2023,” he added. The planes will not only be used as passenger airliners but also as military transport aircraft, VIP planes and air ambulances, he said.

“As a rising country, Turkey has been very late in developing its national defense industry. It acted very slowly and lost decades,” he added. He stated that Turkey would be a country which no longer buys weapons, planes, trains and technology from other countries. The Dornier 328 model, which is used in other countries, has the capacity of 32 passengers. By using this model, Turkey will develop the 628 model with the capacity of 60-70 passengers by 2023, according to the press release. The Transport Ministry and the Undersecretary of Defense Industries will run the project.

The main contractor of the project will be STM Defense Technologies (STM), which inked a memorandum of understanding with U.S.-based Sierra Nevada Corp. (SNC) to develop the airplane, according to the press release. The accompanying systems of the initial airplane with the capacity of 32 passengers will be produced by Turkish TAI, Aselsan, TEI, Havelsan, THY Technic, Alp Aviation, Kale Aviation, TCI, TSI and others under the leadership of STM. The jet engine model of the airplane will be named TRJ-628 and its turboprop engine model, TR-628.

# Former minister says he became Tekstilbank board member through head hunters

Hurriyet Daily News, 28.05.2015



Hilmi Güler said it was through head hunters that he became a board member of Turkey's Tekstilbank, a majority stake of which was acquired by ICBC.

Some 75.5 percent of the bank's stakes have become officially owned by the ICBC, with Turkey's former energy minister Hilmi Güler selected as the only Turkish member of the board as of yet. "I was not appointed for this position. I was selected for this position after being contacted by a group of head hunters, thanks to my 45-year work experience in defense industries, energy and mining technologies," said Güler.

The SPK appointed independent board members in 2013, as shareholders of Turkcell were unable to agree on the composition of its board and distribute its dividends. Güler said the ICBC has strongly believed in Turkey's high potentials so, as the largest bank of the world, it made an investment in the country's banking sector. "I believe ICBC representatives made detailed analyses about Turkey before entering its market and they found the country's sources very attractive," he said. "As one of the six members of the board, I will protect the rights of the ICBC and other investors in the stock exchange," he said, adding that some 11,000 workers of the bank's 15,000 workers are from local markets.

The ICBC is active in 43 countries around the world. He said the bank will make a great contribution to the country's economy if it can play a role in financing leading industrial projects. Güler said he first met with Chinese businesspeople in 2005 during the former Chinese president's visit to Turkey. He has prepared potential investment areas for Chinese parties in several sectors, mainly in energy and mining. He has also taken part in several energy, defense and telecommunications sectors with Chinese companies.

## Turkish Airlines to use US dollar for international tickets in Turkey

Anadolu Agency, 27.05.2015



Turkish Airlines has announced that its decision to convert international ticket sales originating in Turkey from euros to US dollars has been approved by IATA.

“Our decision has been improved by the IATA and has been put into action,” said Turkish Airlines in a written statement to the Public Disclosure Platform. International sales originating in Turkey constitute around 15 percent of the total revenue, added the statement. Turkey’s national flag carrier made this decision due to the sharp fluctuations in foreign exchange rates and rising expenses in dollars, according to sector representatives.

Compared to the first quarter of 2014, Turkish Airlines sales revenue decreased by 4 percent in U.S. dollar terms due to euro depreciation, ending up with a total of \$2.2 billion, the company said on May 11. Turkish Airlines disclosed an adjusted operating loss of \$18 million, outperforming the first quarter of 2014 by 77 percent, and it recorded a \$153 million net profit during the lowest season of the aviation industry, it added. During the January-April 2015 period, the total number of passengers carried increased by 7.3 percent, reaching 17.8 million passengers from 16.6 million passengers for the same period of 2014, the company said in another statement.

## Turkish online payment company Iyzico raises \$6.2 million

Reuters, 27.05.2015



Turkey’s Iyzico, which has aimed to provide a platform to allow e-commerce sites and other apps to easily process online payments, has raised \$6.2 million in a Series B round of financing. Leading the round was the International Finance Corporation (IFC), the World Bank’s investing arm, as reported by TechCrunch.

The startup has now raised \$9.4 million in total since it was founded in 2012. In addition to the IFC, Istanbul-based VC 212, Endeavor Catalyst and Austria’s Speedinvest also participated in the round, as reported by TechCrunch. “Our goal is to become the Stripe of the region,” said Iyzico.

“It is particularly exciting to work with the IFC – a body with tremendous knowledge and experience in the financial tech sector worldwide. Having become the leading payment solution for online businesses and enterprises in Turkey, Iyzico is enthusiastic to take its technology global,” he said. Iyzico Co-founder and CEO Özbugutu, who previously worked as the vice president of sales for Klarna in Germany, said he wants to use the new capital to grow the business and the member base, as well as expand their research and development team, so they can “develop solutions that make life easier.” The IFC had shared a summary of the main elements of the (then) potential investment. It said the investment in Iyzico “will promote the development of a low cost and pervasive payment infrastructure in Turkey and the region.”

## Netanyahu: Nuclear Iran 1,000 times worse than ISIL

AFP, 27.05.2015



Benjamin Netanyahu warned that a nuclear-armed Iran would be “a thousand times more dangerous and more destructive” than the ISIL group, his office said.

“As horrific as ISIS is, once Iran, the preeminent terrorist state of our time, acquires nuclear weapons, it will be a hundred times more dangerous, a thousand times more dangerous and more destructive than ISIS,” Netanyahu said, referring to ISIL. His remarks came as political and technical experts representing Iran and world powers were to convene in Vienna ahead of a June 30 deadline for a deal over Tehran’s nuclear programme.

“As we are meeting, the P5+1 talks are reconvening, and I’m afraid they’re rushing to what I consider is a very bad deal,” Netanyahu told US Senator Bill Cassidy, in remarks relayed by the Israeli premier’s office. “I see no reason to rush to a deal and certainly not a bad deal that paves Iran’s path to the bomb, but also fills Iran’s coffers with tens of billions of dollars to pursue its aggression throughout the Middle East and around Israel’s borders,” he said. Netanyahu has been a fierce critic of the looming deal between Iran and world powers comprising the United States, Britain, China, France, Russia and Germany. The accord would finalise an April 2 deal preventing Tehran from developing nuclear weapons in exchange for an easing of crippling economic sanctions. “We shouldn’t give Iran a path to nuclear weapons and billions of dollars to pursue aggression because of ISIL,” Netanyahu said of the group, which both the US and Iran see as a threat. “ISIL should be fought; Iran should be stopped.”

# Iraq speaker says Anbar operation not well prepared

Reuters, 29.05.2015



The operation by Iraqi government and allied forces to liberate Anbar and its capital Ramadi from the ISIL was launched too soon, Parliament Speaker Salim al-Juburi said.

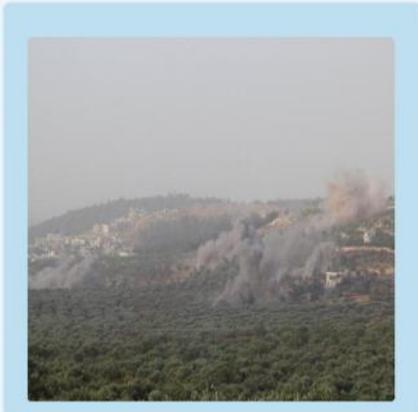
“Zero hour was announced but this important battle should have been better prepared, especially because Anbar is a bastion,” he told. Regular forces and Hashed al-Shaabi paramilitaries have launched an operation aimed at severing ISIL supply lines. The battle to wrest back the provincial capital the jihadists captured in a deadly three-day blitz has not begun in earnest however, with government forces positioning themselves around the city for the time being.

The jihadists also control most other parts of Anbar. “If victory is achieved against Daesh there, it will prepare the ground for the larger battle in Nineveh,” said Juburi, using an Arabic acronym for ISIL. The northwestern province of Nineveh is ISIL’s other main stronghold in Iraq. Its capital Mosul is Iraq’s second city and still holds a large civilian population. “But it was understood after the fact that the desired level of preparedness was not reached,” Juburi said. He said the Sunni tribal fighters who had at least partially been holding off ISIL in Ramadi for months until two weeks ago need much more support and weapons. “We have to focus on this point in our battle against Daesh [ISIL], which is described as a Sunni group,” said the 43-year-old president of the council of representatives, himself a Sunni. “Whoever confronts it must also be from the Sunni community, after being given support, and should not be second fiddle.”

Prime Minister Haider al-Abadi had opposed deploying Shiite militias to Anbar, a Sunni stronghold, but the poor performance of the regular forces during the fall of Ramadi left him with few options. With US support, he had started training and incorporating Sunni tribal fighters into the Hashed al-Shaabi, a solution seen as more palatable to Anbar’s Sunni population. The organisation is an umbrella for Shiite militias and volunteers which Abadi wanted to turn into a more cross-sectarian force and a precursor of a National Guard.

# Rebels capture last Syrian town in Idlib province

Reuters, 29.05.2015



The Syrian army has pulled back from the northwestern city of Ariha after a coalition of insurgent groups seized the last city in Idlib province.

A coalition of rebel groups called Jaish al Fateh, or Conquest Army, said it had taken over the city. The coalition said it had overrun several checkpoints that defended the city. The Syrian army said intense fighting was going on with Nusra forces that had infiltrated Ariha. “There are heavy clashes between the army and the terrorists of Jabahat al Nusra who infiltrated inside the city,” said an army statement released on state television.

Later the army admitted its forces had pulled back from the city, the latest string of defeats by the Syrian army and a big blow to the morale of President Assad’s government forces who have vowed to defeat Sunni militants financed by Saudi Arabia, Qatar and Turkey who seek to overthrow his rule. “Units of our armed forces evacuated their positions in Ariha and withdrew to defensive positions in the vicinity of the city after battles it fought facing large number of Nusra terrorists,” the army source was quoted as saying. A rebel source from Ahrar al Sham confirmed that street fighting was going on inside the city between army fighters and the insurgents. “There are many bodies that litter the streets,” he said, adding that the rebels were searching for Assad’s government forces inside the city.

Many civilians have hidden inside shelters. Syria accuses Turkey of financing and aiding rebels seeking to topple the government. Damascus says foreign jihadi fighters allowed into Syrian territory by Turkey have played a pivotal role in recent rebel gains. Rebel sources say they have secured more U.S.-made TOW missiles in recent months that have helped them to gain a military edge over the Syrian army. The Nusra Front has made gains in northwestern Syria alongside other insurgent groups in recent weeks, seizing the city of Idlib, the town of Jisr al-Shughour and bringing them closer to government-held coastal areas north of the capital. The loss of Ariha would leave the insurgents in control of most of Idlib a region that borders Turkey and neighbours President Assad’s heartland in Latakia province on the Mediterranean coast.

The city, once home to more than 80,000 people, is strategically located on the main army supply lines between Idlib and Latakia. Rebel sources said that convoys carrying army forces had fled to Oroum al Jouz, an area west of Ariha and in areas closer to President Assad’s ancestral homeland. The army did not comment. Nusra Front is also a major force against government forces and allied militia around the northern city of Aleppo. It is fighting in southern Syria as well, and its combatants have frequently clashed with Islamic State of Iraq and the Levant (ISIL). Syria’s four-year-old civil war has killed a quarter of a million people and driven nearly 8 million from their homes.

# Ukraine creditor proposal said to cut coupons, extend maturities

Bloomberg, 29.05.2015



The first proposal by a group of Ukraine's creditors to restructure about \$20 billion of debt would extend maturities as much as 10 years and reduce interest payments, a person with knowledge of the committee's thinking said.

While the government rejected the bid and stuck to a demand for principal reductions, analysts say it marks a productive start to meeting IMF targets and clearing the way for aid to lift Ukraine's economy out of a recession. The nation's debt rallied the most in five weeks. "It is a concrete proposal that will help Ukraine get through the coming years without the need for a de-facto default," Simon Quijano-Evans said.

"A no-haircut scenario would enable Ukraine to access bond markets again this year." Russia remains the wild card as talks with private creditors led by Franklin Templeton appear to move forward. President Vladimir Putin's government is threatening legal action if Ukraine fails to pay back a \$3 billion Eurobond in seven months, signaling Russia may use the default threat along with an outstanding energy bill to turn up the heat on Ukraine amid a tentative cease-fire. Ukraine's \$2.6 billion of debt maturing in July 2017 rose 1.28 cent to 47.85 cents on the dollar by 4:31 p.m. in Kiev.

The Franklin Templeton-led creditor group, which owns about \$8.9 billion of bonds and has access to investors holding at least another \$1.1 billion, submitted its proposal on May 9. It involves amortizing the bonds over a seven-year period starting in 2019, according to the person, who asked not to be identified because the talks are private. The proposal would lower the interest and principal burden in the beginning, achieving a reduction of about \$500 million on interest payments, the person said. The maturity extensions differ from bond to bond and the plan will yield savings for Ukraine of \$15.8 billion in the first four years, exceeding the IMF's \$15.3 billion target, according to the person. In the latter years, Ukraine would need to pay higher coupons and gradually repay principal. The group argues the plan also complies with objectives to reduce the ratio of debt to less than 71 percent of gross domestic product by 2020 and bring the budget's gross financing needs to an average of 10 percent of GDP from 2019 to 2025.

"The committee has its best foot forward and crafted something that either meets the sovereign's requirements or exceeds them," Blackstone Group International Partners LLP said on behalf of the creditor committee in an e-mailed response to questions. The group -- which includes BTG Pactual Europe LLP, TCW Investment Management Co. and T. Rowe Price Associates Inc. -- declined to comment on specific details. "The bondholders in the committee are not opportunistic funds trying to block a deal with a minority stake or make short-term gains," it said.



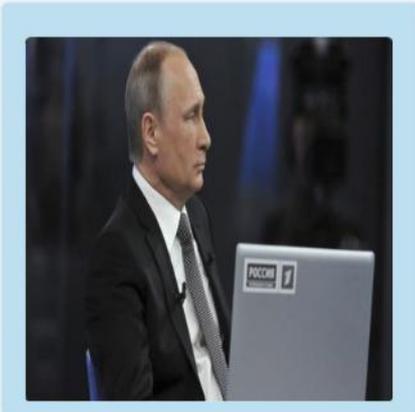
Finance Minister Natalie Jaresko said in a May 21 interview it was a “necessity” for creditors to accept a writedown to meet IMF objectives. The Washington-based lender is due to complete a review of Ukraine by June 15. Analysts at banks including Citigroup Inc. and Bank of America Merrill Lynch also say a writedown can’t be avoided. “A reduction in coupon and nominal is necessary in achieving the IMF’s three targets for Ukraine’s medium-term debt sustainability,” the Finance Ministry said in an e-mailed response to questions. Ukraine is being advised by Lazard Ltd. Ukraine’s economic situation has unraveled since Russia annexed Crimea in March 2014, sparking a separatist conflict in the easternmost regions. The economy shrank almost 18 percent in the first quarter.

Franklin Templeton is Ukraine’s single biggest creditor, followed by Russia, which purchased debt from the regime of former President Viktor Yanukovich before he was overthrown in February 2014. Ukraine owes Russia almost \$29.5 billion for natural gas, OAO Gazprom Chief Executive Officer Alexey Miller said Thursday, a claim state-owned NAK Naftogaz Ukrainy disputes. Tensions between private creditors and Ukraine flared earlier in May as they blamed each other for stalling talks, signaling they were communicating through the media rather than in private meetings. Ukraine has parliamentary backing to impose a moratorium on coupon payments if needed. The person familiar with the creditor’s proposal said the committee has received no substantive response from Ukraine to its offer nor have there been regular meetings between advisers. The committee met with Lazard last week and Jaresko has asked for a call with the group, and they will have a call, according to the person.

The group regards the push for a so-called haircut as arbitrary and politically motivated and sees no fundamental economic rationale for why one is needed, the person said. A wider \$40 billion bailout package for Ukraine envisages Western governments extending about \$7.2 billion in bilateral loans or guarantees. The price of Ukraine’s \$500 million note maturing Sept. 23 climbed 0.7 cent to 51.15 cents on the dollar. “Ultimately we will have a friendly restructuring and it will involve a relatively small haircut of about 20 percent,” Ivan Tchakarov, a Moscow-based economist at Citigroup, said by e-mail. “The fair value of bonds is around 50ish or so. The price moves we are seeing, in my view, now reflect such a scenario.”

# Is Belarus and Russia's 'brotherly love' coming to an end?

The Guardian, 29.05.2015



The speed with which the Kremlin has become hostile towards its neighbour Ukraine has left many in Belarus fearful of Russian aggression.

Throughout his 21-year rule president Alexander Lukashenko has traditionally held close political, economic and military ties with Russia. Clearly unsettled by the recent war between Russian-backed separatists and national army forces in eastern Ukraine, Lukashenko has now stepped up a campaign to strengthen his country's ties to Europe, sending envoys to European capitals and welcoming embassies from the EU and US.

He has also been cautious to address the subject of Russian influence: in April, the president raised concerns about the rise of pro-Russian NGOs in Belarus. He suggested that extremist Russian groups were active in his country and claimed he had "taken measures against them". The pro-government Centre for Strategic and Geopolitical studies has also launched a blog aimed at tracking what they say are attempts by some parts of the Russian elite to destabilise Belarus. The online newspaper Sputnik i Pogrom recently ran an opinion piece claiming that three of Belarus's six regions were in fact "received as a gift from Soviet Russia" – a notion that was popularised about Crimea too before its annexation. Leaked text message correspondence between a Russian high official has suggested that the website may have been under the Kremlin's protection.

A columnist for Russia's Vzglyad website has also stoked the fire by arguing that Lukashenko should hold a referendum on Belarus's accession into the Russian Federation this autumn, otherwise "[the country] in its current form would be eliminated". Beyond the rhetoric, the Russian annexation of Crimea and its hand in the rebellions in eastern Ukraine has revealed significant cracks in the relationship between Belarus and its powerful neighbour. In the face of the pro-Russian separatist violence in eastern Ukraine, Lukashenko has been vocal in saying the country must not split, and has pledged his support for western-backed Ukrainian president, Petro Poroshenko, offering him "the friendship of the Belarusian people".

The president has also voiced veiled criticism of Putin: though careful not to mention the Russian president directly, Lukashenko said in a March press conference that he is no longer "Europe's last dictator", seen as a hint at his eastern counterpart. He also warned that wherever military aggression comes from, the country would defend its autonomy: "one should be cautious with Russia", he said. Alexander Milinkevich, the chairman for the opposition party, Movement for Freedom, claims the country's sovereignty has been immensely endangered: "Putin has purposely tried to exhume the Soviet Union," he said.

“At the moment there’s absolutely no ground for the Russians to intrude, but Russia, the expert in fabrications, can easily make up some”, he added. “A thought has matured in ruling circles that we have lost years without serious co-operation with the European Union,” says Milinkevich. “But as soon as Belarus voices her wish to make friends with Europe, then Russia will start behaving aggressively – as sure as a gun”.

He suggests it’s Lukashenko’s distancing from Moscow that could provide a possible pretext for Russian aggression. The former founder of the Tell the Truth campaign Vladimir Neklyayev – who ran against Lukashenko in the 2010 elections – believes it’s not Putin who is a menace to Belarus’s independence, but the nationalist forces that have been awoken by his actions in Ukraine. He says an increasingly powerful segment of Russian society don’t see Belarus or Ukraine as independent nations, and that their views are rapidly acquiring influence within the Russian political elite. Belarus could become an easy target for its neighbour’s “imperial hysteria”, he said.

Yuri Tsarik, a pro-Russian and pro-government Belarusian political scientist believes a more credible guess about Russia’s future plan would be an economic offensive on Minsk – a tactic Moscow has used before. The crisis in neighbouring Ukraine has rattled Alexander Lukashenko’s authoritarian regime. But with the opposition in retreat and the media silenced, can Belarus escape his grip? In the early 2000s Russia suspended gas transportation to Belarus as a way of keeping Lukashenko’s government in line. In 2010 and 2011 the Kremlin cut its discounted oil supplies that fuel Belarus’s gasoline production, and threatened to do so again in 2013. Last year, it blocked much of Belarus’s \$4.5bn foodstuff exports to Russia. Belarusians now fear they’re trapped in a no-win situation: if Lukashenko cows to Moscow, Belarus could return to its place as a Russian frontier land, as it was during Soviet rule. But if Lukashenko tries to diversify his foreign policy and makes new friends in Europe, it’s possible the Kremlin could respond with aggression – both pose a threat to Belarus’s independence.

## US says all parties need to move on Greece

AFP, 29.05.2015



Greek Greece and its creditors need to move if the debt-wracked country is to remain in the eurozone, the United States said as Athens’ European partners insisted there was still a lot of work to do.

“All parties need to move,” Lew told a briefing after a meeting of Group of Seven finance ministers and central bank chiefs wrapped up. After four months of negotiating to unlock some 7.2 billion euros in bailout cash, Athens’ coffers are near empty and officials have indicated they might not be able to make a payment due next week, an event that might trigger a chain of events that could lead to a messy exit from the euro.



“There needs to be some flexibility on the part of the institutions,” namely the European Central Bank, the International Monetary Fund and the European Commission, Lew said. The three, formerly known as the “Troika,” are demanding that the Greek government push through economic reforms in return for fresh bailout funds. There was a “broad view” among the meeting participants that “Greece needs to make very tough decisions,” the US finance chief continued. But “one won’t happen without the other,” he insisted. Washington had “delivered the same message to all participants.”

The radical left Syriza party of Prime Minister Alexis Tsipras that swept to power in January on an anti-austerity platform has been reluctant to sign up to more tax hikes and spending cuts. “Everyone agrees that resolving this without crisis would be in interest of everyone and the global economy,” he said. The finance ministers and central bank chiefs of the world’s seven wealthiest nations had met in the eastern German city to prepare for a wider summit of G-7 leaders starting on June 7. And while Greece was not officially on the agenda, it was discussed because representatives of the key actors in the discussions - IMF chief Christine Lagarde, ECB president Mario Draghi and the EU’s commissioner for economic and monetary affairs Pierre Moscovici - all attended. Lagarde had caused a flurry the day before by saying in a newspaper interview that a so-called “Grexit” - or Greek exit from the eurozone - was “a potential.”

The IMF subsequently scrambled to clarify her comments by saying Lagarde hoped it was a scenario “the Europeans will not have to face because hopefully they will find a path to agree with the future of Greece within the eurozone.” French Finance Minister Michel Sapin insisted: “There is no Grexit scenario.” There had been “progress” in the negotiations, but “results are still insufficient so far,” Sapin said. The meeting’s host, German Finance Minister Wolfgang Schaeuble, also sought to play down assertions by Athens that Greece is on the verge of reaching a deal with its creditors “The positive reports out of Athens don’t fully reflect the state of talks,” Schaeuble said. The Greek government has sent mixed signals about how close the two sides are to a deal. On the one hand it has suggested that an agreement could be reached by May 31. But Finance Minister Yanis Varoufakis told VimaFM radio on May 29 said that while a deal was close, under a February agreement “the country’s aid programme was prolonged until June 30, thus that is the date by which we need to arrive at a deal.”

## EU-Swiss accord to end banking secrecy, curb tax evasion

Reuters, 27.05.2015



The European Union and Switzerland signed a major accord that will end banking secrecy for EU residents and prevent them from hiding undeclared income in Swiss banks, the European Commission said.

The agreement deals “another blow against tax evaders, and another leap towards fairer taxation in Europe,” said Pierre Moscovici, the EU commissioner for tax issues. Moscovici signed the accord, which takes effect in 2018, along with Jacques de Watteville, the Swiss secretary of state for international financial matters and Latvian Finance Minister Janis Reirs.

“The EU led the way on the automatic exchange of information, in the hope that our international partners would follow,” Moscovici said in a statement. “This agreement is proof of what EU ambition and determination can achieve.” Under the accord, the EU and Switzerland will automatically exchange information on the bank accounts held by their respective residents beginning in 2018. “This new transparency should not only improve member states’ ability to track down and tackle tax evaders, but it should also act as a deterrent against hiding income and assets abroad to evade taxes,” the European Commission said.

## Cameron urges ‘flexible and imaginative’ EU reforms

AFP, 29.05.2015



David Cameron prepared to lobby German Chancellor Angela Merkel for “flexible and imaginative” EU reforms, but faces an uphill battle against Franco-German plans for a more integrated eurozone.

The second day of Cameron’s European tour came as his government published a law paving the way for the controversial vote on whether Britain should leave the EU that must be held by the end of 2017. The prime minister has moved rapidly to kickstart efforts to secure EU reforms before the referendum which he promised voters ahead of his surprise election win earlier this month.



“The status quo is not good enough and I think there are changes that can be made that can benefit not just Britain but the rest of Europe too,” Cameron said before a dinner with French President Francois Hollande in Paris. “My priority is to reform the European Union to make it more competitive and to address the concerns that British people have about our membership. “We want to help the euro zone work better.” Hollande said that France wanted Britain to remain in the European Union, but that “it will be up to the British people to choose their future.” “David Cameron will present his proposals and we will discuss them and see how we can move forward,” he added.

The British premier intends to speak to every EU leader before a summit in Brussels next month where the proposed British reforms will be discussed in more detail. He met his Dutch counterpart Mark Rutte for lunch in The Hague on Thursday and will also meet with Polish premier Ewa Kopacz. Before Cameron set off, a British official said there were “27 nuts to crack” to secure concessions. Cameron said earlier this week he was “confident” of securing a deal, but warned there would be “lots of noise, lots of ups and downs along the way”. Cameron argues that the EU should be retreating from further integration instead of embracing it, and that Europe risks a no vote in Britain by failing to change.

However, a proposal from Berlin and Paris for a summit next week on the future of the 19-member single currency not only mentions tightening ties in the eurozone, but doing so without changing the existing treaties that govern the EU. And in a sign of Europe’s discomfort with the looming referendum, French Foreign Minister Laurent Fabius warned Thursday that the vote was “very risky” and “quite dangerous”. Fabius added that you could not “join a football club and decide in the middle of the match we are now going to play rugby”. Foreign Secretary Philip Hammond said there would need to be “a substantial package of reform” on Europe. “If we are not able to deliver on these big areas of concern that the British people have, we will not win the referendum when it comes,” he told BBC radio.

Among changes Cameron is seeking are tougher requirements for EU migrants to claim state benefits in Britain. He also wants Britain to be able to opt out of the commitment to “ever closer union”. “What matters is that the European Union and its 28 members are flexible and imaginative about responding to these issues,” Cameron said May 28. If Cameron can secure the concessions he wants, he will campaign to stay in the EU. Most opinion polls currently suggest voters would also back remaining part of the bloc. No precise date has been set for the referendum in which British voters will be asked: “Should the United Kingdom remain a member of the European Union?” The question emerged in the EU Referendum Bill, which was formally laid before parliament and will be debated by the House of Commons for the first time on June 9. Europe Minister David Lidington told reporters in London that the mood in the government was “the sooner the better” but that this should not come at the expense of getting negotiations right. While he has faced repeated questions about when he will outline a clear programme of demands, Lidington said he had advised Cameron to do no such thing. “My advice to my boss would be on no account publish a full negotiating position because I don’t think that’s sensible in any sort of negotiation at all to set all that out in advance in writing,” he said.

# Myanmar rejects being ‘singled out’ by UN at migrant crisis talks

Reuters, 20.05.2015



Myanmar’s delegate to talks in Bangkok on Southeast Asia’s migrant crisis rebuked the UN’s refugee agency for calling on the country to recognise the Muslim Rohingya minority as citizens to stem their exodus from its shores.

On “this issue of illegal migration of boat people, you cannot single out my country,” Myanmar delegate Foreign Ministry Director-General Htin Lynn said. Volker Turk, UNHCR assistant high commissioner for protection, urged Myanmar to tackle the flow of Rohingya southwards, where they have arrived in thousands on the shores of Malaysia, Indonesia and Thailand.

To address the root causes of the exodus “will require full assumption of responsibility by Myanmar to all its people,” he said. “Granting of citizenship is the ultimate goal.” Myanmar denies citizenship to the majority of its 1.3 million Rohingya and does not accept them as one of its official ethnic minorities, instead calling them “Bengalis” -- shorthand for foreigners from neighbouring Bangladesh. Myanmar rejects any internationalisation of the issue of the status of the Muslim minority, since communal violence in 2012 between Rohingya and the Buddhist majority in western Rakhine State brought their plight to the fore. The Myanmar delegate called Volker’s comments a “politicisation” of the migrant subject, adding that “some issues” are internal. Around 3,500 starving migrants, mainly Rohingya as well as poor Bangladeshis, have made shore in Southeast Asia since the start of the month, when a Thai crackdown on people smuggling disrupted a well-worn route southwards from the Bay of Bengal.

# Obama heralds first U.S. Memorial Day without ground war in 14 years

AFP, 26.05.2015



President Barack Obama heralded the first U.S. Memorial Day in 14 years without a major ground war in an annual ceremony of remembrance for fallen American forces.

In remarks at Arlington National Cemetery near Washington, Obama paid tribute to U.S. military personnel who served in conflicts such as World War Two as well as the more recent wars in Iraq and Afghanistan. “For many of us, this Memorial Day is especially meaningful. It is the first since our war in Afghanistan came to an end,” Obama said. “Today is the first Memorial Day in 14 years that the United States is not engaged in a major ground war.”

As a Democratic presidential candidate in 2008, Obama sharply criticized the war in Iraq launched by his Republican predecessor, former President George W. Bush. U.S. forces are now involved in air campaigns against Islamic State of Iraq and the Levant (ISIL) militants in Iraq and Syria as well as training missions in Iraq and Afghanistan. The president has been reluctant to relaunch ground operations in Iraq. “Today, fewer than 10,000 troops remain on a mission to train and assist Afghan forces. We’ll continue to bring them home and reduce our forces further, down to an embassy presence by the end of next year,” Obama said. “But Afghanistan remains a very dangerous place. And as so many families know, our troops continue to risk their lives for us.”



## Announcements & Reports

► *Southeast Asia from Scott Circle: Enhanced Defense Cooperation Agreement: Manila's Most Credible Deterrent to China*

**Source** : CSIS

**Weblink** : <http://csis.org/publication/southeast-asia-scott-circle-enhanced-defense-cooperation-agreement-manilas-most-credible>

► *Will the Taliban School Massacre Change Pakistan's Basic Security Orientation?*

**Source** : CSIS

**Weblink** : <http://csis.org/publication/will-taliban-school-massacre-change-pakistans-basic-security-orientation>

## Upcoming Events

► *Tackling Global Diets to Curb Greenhouse Gas Emissions*

**Date** : 29 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** : 01 June 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** : 01 June 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** : 04 June 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** : 05 June 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/>