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The Inkerman Political Risk and Security Review provides a focused weekly assessment of developments influencing both the physical security situation and the regulatory environment in which organisations may find themselves operating.

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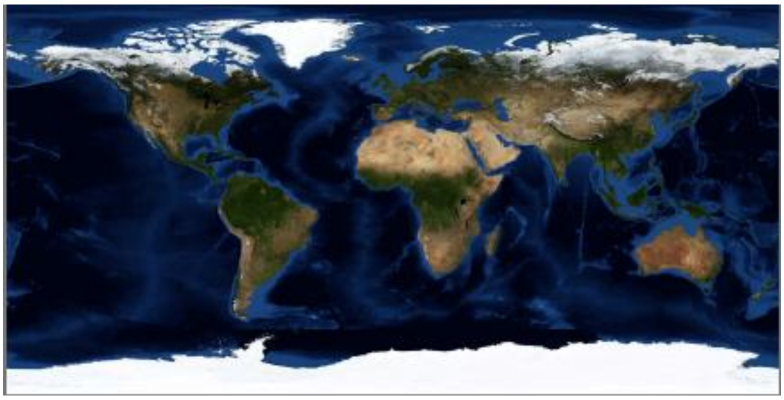
GLOBAL FOCUS



INTERNATIONAL MONETARY FUND AND UKRAINE TO RESUME TALKS ON 27 MARCH 2013
(The issue of gas prices remains highly contentious while Ukraine seeks help on foreign debt)

The International Monetary Fund (IMF) and the Ukraine are set to begin talks on 27 March 2013 for a US$15 billion loan programme. The talks are scheduled to last until 10 April 2013. The Ukraine, led by President Viktor Yanukovich who has previously rallied against IMF and World Bank intervention in the Ukraine, has reopened talks with the IMF over the loan as its foreign debt payments are set to rise to around US$9 billion this year, much of which is due to the IMF itself in relation to former loan programmes. The IMF and Ukraine also held talks in January and February 2013 but they broke down before any agreement was reached over Ukraine's reluctance to raise its heavily subsidised natural gas prices for domestic consumers. However, it is widely believed to be unlikely that President Yanukovich will be more willing to negotiate on gas prices during the upcoming talks, having repeatedly stated that he will not do so over the past months. The talks come as the Ukraine also holds talks with Russia over possibly joining the Russia-Belarus-Kazakhstan Customs Union, as reported in the 19 March 2013, Political Risk and Security Review. Russia has offered the Ukraine the prospect of lowered gas prices if it joins the Customs Union, which would hinder it from entering the European Union or European Free Trade Association. On 19 March 2013, Ukraine's First Deputy Prime Minister Serhiy Arbuzov stated that there was no direct link between the IMF-Ukraine talks and the Ukraine-Russia talks, though any reduced price of gas would undoubtedly make it easier for Ukraine to pay off its foreign debt.

CYPRUS SECURES EU BAILOUT WITHOUT RUSSIAN AID
(Bailout will effectively end Cyprus' status as a tax haven)

Eurozone Finance Ministers announced on 25 March 2013, that they had reached a deal for the bailout of Cyprus just before the European Union's (EU) self-imposed deadline. The bailout will secure roughly US$13 billion for Cyprus, which it desperately needs to pay its spiralling debts and to stop its deficit from growing even further. The bailout terms include the shuttering of Cyprus' Cyprus Popular Bank PCL, known as Laiki Bank, and a levy, effectively a tax, on all bank accounts with over US$130,000 that could see some accounts lose up to 40%. The bailout was reluctantly accepted by Cypriot officials, but importantly the main Cypriot opposition parties as well, and Cypriot Finance Minister Michail Sarris summed up the general feeling when said, "It's not that we have won a battle, but we really avoided disastrous exit from the euro zone." The bailout was received even more negatively in Russia, who were angered not to have been consulted in the first place as reported in the 19 March 2013 edition of the Political Risk and Security Review. The new terms, which shift the burden even more onto those with bank accounts containing over US$130,000 and remove the formerly proposed levy on smaller account holders, were widely interpreted to be a direct challenge to Russia's use of Cypriot banks as a tax haven. However, the anger was mostly among Russian account holders, many of whom have reportedly already attempted to shift their funds out of Cyprus in order to avoid paying the levy. However, according to local media reports on 25 March 2013, President Vladimir Putin also ordered that Russia renegotiate its previous 2011 loan to Cyprus, which he had rejected only last week during meetings with Cypriot officials. Cyprus has reportedly requested that Moscow write down its US$3.2 billion loan by 10% and also requested a five-year extension, coupled with a cut in the deal's interest rate from 4.5% to 2.5%. Despite the public anger in Russia, the move to tax those with bank accounts over US$130,000 has actually combined nicely with Putin's plans for the "de-offshorisation" of Russia, a term he coined in his 2012 Russian State-of-the-Nation address. Putin has publicly insisted that the wealthy classes bring funds back to Russia and will clearly hope to see a large number of Russians move their money back to Russia though some reports have also emerged that wealthy Russians were simply hoping to move funds to other tax-havens. Russian Prime Minister Medvedev summed up the Cypriot bailout deal succinctly, calling it "the stealing of what has already been stolen," in a veiled reference to the ever-tense relationship between the Kremlin and Russia's powerful oligarchs. The Cypriot bailout, widely criticised in the media for risking confidence in European banks, will have ramifications not only for the EU but for Russia's foreign and domestic policies as well.

SECURITY DECLINES AT LIBYA'S LUCRATIVE OIL INSTALLATIONS

(International investors mull whether to return in light of frequent work stoppages)

Following upon reports from last week, the endless round of demonstrations (and in some cases, full-blown armed attacks) at oil installations has led international investors to reconsider planting their feet in the country's lucrative hydrocarbon sector. In particular, facilities belonging to the Waha Oil Company (WOC), a subsidiary of Libya's state-controlled National Oil Corporation (NOC), has proven to be a focal point for sit-ins and inter-militia attacks.

To be fair, most protests at oil facilities have proceeded peacefully, particularly the fifteen-day long employee walk-out at Waha's Gialo 59 oil field, located near Jalu, south-east of Benghazi. These demonstrations, which began on 11 March 2013, emerged after employees raised concerns that oil companies working at the field were not using union-controlled "local vehicles and drivers". In response to these concerns, dozens of men began blocking roads, which has prevented lorries from leaving and entering the facility. Although reports suggested that representatives from the NOC have been in negotiations with protest leaders, there has been no noticeable decline in industrial activity at Waha's site. Nevertheless, NOC officials claim that they have made progress. Indeed, according to reports on 21 March 2013, Daam Holdings, a contractor in the area, has followed through with one of the demands of the protesters by reportedly removing equipment at the Gialo 59 oil field.

Whilst protests at Waha's Gialo 59 oil field have remained peaceful as of 26 March 2013, this does not mean the latest incident of industrial action has passed without incurring some critical damage. According to the Minister of Oil, Abdulbari al Arusi, the constant demonstrations have resulted in the slashing of "120,000" barrels per day (bpd) of crude oil, a considerable setback for a country which relies, as the International Monetary Fund (IMF) has suggested, *too* much on oil production for its economic and political stability. In addition to substantially affecting oil output, the more than two-week long protest has also caused the price of fuel to increase in country to 0.15 Libyan Dinars (US$0.12) per litre for gasoline and 0.08 Libyan Dinars (US$0.07) per litre for petrol – a considerably low price to be sure, but an increase which will nevertheless affect the economic vitality of locals.

As if to make matters worse, residents have also started conducting their own demonstrations outside the Zueitina Oil Company-operated terminal, located near Ajdabiya. As of 26 March 2013, sources reported that the demonstrations are ongoing, with residents using the sit-in as a way to demand that the company provide more occupational opportunities for locals. The news comes amid reports released from the government that 15% of Libyans are unemployed. However, despite the arguably well-meaning intentions of the Zueitina oil demonstrators, analysts indicate that Libya's hydrocarbon sector is unable to offer adequate employment to locals. Indeed, according to reports, an investment of US$1 billion in the hydrocarbon industry will produce, at most, 100 jobs.

The series of incidents underscore the necessity of foreign nationals to remain vigilant when visiting oil installations. Although the government has deployed 15,000 members of the Petroleum Facilities Guard (PFG) to provide protection for strategic energy sites, the security system is assessed to lack enough personnel, training, "equipment and even uniforms". The threat of clashes in these areas has been compounded by reports that, in an effort to supplement the weak security system around these critical sites, the Libyan Government has authorised the deployment of even more militias to work with the PFG. In perhaps one of the most miscalculated moves ever orchestrated by the post-Gaddafi government, Libyan authorities have amalgamated these militias to join as entire units, rather than as individuals. Consequently, militia rivalries have only continued, if not been exacerbated, by their deployment to lucrative oil facilities. Furthermore, as noted by previous attacks orchestrated by militias which are supposed to be "guarding" the sites, these auxiliary security forces are poorly disciplined, and often engage with other PFG forces over who has the right to provide security. All of these factors suggest that oil facilities are vulnerable, not only to internal attacks, but to outside assaults as well.

*The Inkerman Group's Corporate Intelligence department provides analysis of political, economic and security developments allowing organisations to remain well informed about current and potential threats. Follow us on Twitter at **@inkermangroup** or visit our blog at http://blog.inkerman.com/*

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Middle East and North African Examiner (MENA)

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The Kidnap and Ransom Monthly Review

The Kidnap and Ransom Monthly Review builds upon the Kidnap and Ransom Daily Bulletin, providing an analysis of this burgeoning crime around the world. It includes statistics compiled from our Daily Bulletin, alongside an analysis of current events which have the potential to impact upon the safety of those operating in risk prone areas.

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These reports contain essential information for any organisation choosing to send its employees overseas. This includes assessments of the risk posed to travellers associated with terrorism, kidnap and crime. There is also information regarding the political situation in the country, the situation with regard to the operation of the security forces and travel restrictions, alongside more general local intelligence.

Political Risk Reports and Due Diligence

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