

EXHIBIT 4

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Erdogan hit by claims of son's corruption

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Turkey's Prime Minister Recep Tayyip Erdogan at a news conference in Ankara. Source: AP

RECEP Tayyip Erdogan is battling for his survival as Prime Minister after his son was drawn into a new investigation into claims of multi-billion-dollar corruption.

In a dramatic day of events that underscored the fragility of Mr Erdogan's position, a senior prosecutor announced that he had opened another corruption investigation, focusing on Bilal Erdogan - only to be removed from his post after the announcement.

The Turkish government faces the biggest test yet of Mr Erdogan's 11-year tenure. Three senior ministers resigned this week after their sons were detained, along with dozens of other people, by corruption investigators.

Hours later, as the Prime Minister faced calls to resign, amid claims that he was fully aware of what was going on, Mr Erdogan hastily embarked upon a significant political reshuffle, replacing half of his cabinet with loyalists.

The move led to investors taking fright and the Turkish lira tumbling to a new low.

The first allegations of corruption emerged last week, with police carrying out dawn raids on the offices of businessmen close to Mr Erdogan.

Shoe boxes allegedly containing \$US4.5 million (\$5m) were found in the home of the head of a state bank, police said, along with bank notes in the bedroom of a government minister's son.

In what was described by the opposition as an attempt to stifle the investigation, authorities dismissed 25 senior police officers over the weekend, adding to dozens already purged.

Prosecutors said yesterday that they were investigating new corruption allegations involving a charity, Service for Youth and Education Foundation for Turkey (Turgev), and had detained 30 people on Christmas Day.

Bilal Erdogan sits on the management board of the charity, and other members are close associates of the Erdogan family.

The new investigation concerns allegations of bribes paid to assist an al-Qa'ida suspect, and corruption in 28 public contracts, including those involving Turgev.

Muammer Akkas, the prosecutor who was removed abruptly from his post, described his dismissal as an affront to the judicial system. "All my colleagues and the public must know that I was blocked from investigating," he said. "The instruments of justice have been subdued and the court's decisions prevented from being carried out."

In an ominous sign for the Prime Minister, a member of his party called on President Abdullah Gul - widely seen as Mr Erdogan's only potential rival - to intervene in the crisis. "The turmoil we are going through is at such an extent that the damage to the country's regime, economy and international esteem is growing incrementally," said Ankara MP Haluk Ozdalga.

Mr Gul, who founded the ruling Justice and Development Party with Mr Erdogan, has powers as President to force different arms of the state to co-operate, and could unblock the investigation into Mr Erdogan's son.

"There is a dangerous rift between the judiciary and the executive right now, and the President has the authority to co-ordinate between them," said Cengiz Candar, a political commentator at the daily Radikal newspaper.

As the Turkish lira hit a record low of 2.1 to the US dollar, it became clear that the political crisis had the potential to develop into an economic one.

Events were compounded by a ruling from a panel of judges who said that negotiations the government had rushed through at the weekend, which were designed to strangle further investigations into officials, violated Turkey's constitution.

The case, over which 50 people are now due to stand trial, is widely seen as part of a power struggle between Mr Erdogan and a powerful Islamic network inspired by Fethullah Gulen, an elderly imam living in self-imposed exile in Pennsylvania, in the US, who has a faithful following of at least a million.

All the ministers involved in the scandal have denied the allegations against them, claiming that evidence was framed or taken out of context.

Outgoing economy minister Zafer Caglayan, with tears in his eyes, blamed his ouster on the "interest-rate lobby"- an alleged cabal of international investors, economists and journalists seeking to profit from Turkey's turbulence.

"We stepped on the interest-rate lobby's foot. For as long as I live, I won't step on their foot but on their veins," he said.

Wolfango Piccoli, managing director at political risk advisory GROUP Teneo Intelligence, described the new appointees as low-profile loyalists.

"The overall impression is that Erdogan is preparing to strike back at the Gulen movement," he said, adding that the power struggle "has the potential to affect significantly Turkey's political stability in the months ahead."

Gulenists have their own media, universities, think tanks and businesses and analysts say that with their followers in key positions, the movement appears to be the only force that can undermine Mr Erdogan's party in the run up to local polls in March.

"There is not even a little sign of a ceasefire, let alone peace," columnist Rusen Cakir wrote in the Vatan daily. "To the contrary, it appears the battle (between Erdogan and Gulen) will turn even more violent."

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