

Insights into Turkish Domestic and International Politics during May 16-31th 2013

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Key Points:

- *Protests in Istanbul's Taksim Square erupt over a heavy handed police response and government indifference to the protesters' demands.*
- *The protest, while minor in the beginning, has been a spark that has brought hundreds of thousands into the streets across Turkey's major cities, with anger directed at the leadership of Prime Minister Erdogan.*
- *International press widely covers the protests, drawing the attention of investors who have until recently been extolling the virtues of AKP governance. Should the unrest continue, Turkey's impressive economic performance could come to a halt.*
- *Despite civil unrest, the country's energy future looks bright as NABUCCO West brings on GDF Suez and Turkmenistan seals an agreement for transit rights across Turkey for natural gas shipments.*

Protests erupt in Turkey

The month ended with a fury, as protesters opposing a controversial revitalization plan of Taksim Square's Gezi Park in Istanbul clashed with police. The uproar is over the AKP controlled government's plan to build a shopping mall in one of Istanbul's last remaining green spaces. It has drawn ire from a large swath of the city's more culturally liberal population, with estimates putting the crowds on the fifth day of protests at around 100,000 people.

On May 31, police attempted to break up the demonstration by force. Images and video of gas mask wearing police spraying pepper spray and tear gas on peaceful attendees circulated widely on social media and in the international press. Yet domestic television coverage treated the obviously large-scale disturbance as a small event.

President Abdullah Gul attempted to calm tensions, conceding that police used unnecessary force in tear gassing a largely peaceful gathering. He also called for protesters to conduct themselves in a mature manner. Other AKP officials declined to use such tact. Prime Minister Tayip Erdogan dismissed the protests as an ideological struggle. He pointedly called out CHP leader Kemal Kilicdaroglu, who had planned a political rally, saying, "If you use provocative words, our people will never forgive you. If it comes down to making a meeting, if you gather 100,000 people, I can gather a million."

There are several factors in these protests that must be considered. First, they do not appear to be backed or spearheaded by any one group. Reports from both Turkish and international journalists in the city claim that all manner of Turkey's political spectrum are represented. Far left political groups, anti-capitalist Muslim organizations, college students and football fans wearing the jerseys of their favourite teams have joined in, and the wide representation of females is also telling. Secondly, aside from opposition to the construction, no opposition party looks able to capitalize on the disturbance. The CHP cancelled Kilicdaroglu's speech, and the Kurdish BDP has not taken an official position on the matter.

Istanbul is a sprawling metropolis, where infrastructure has followed housing developments. Despite the AKP's impressive TOKI urban renewal plan that has provided apartments for hundreds of thousands, there is little green space. This one divisive issue, as well as the AKP leadership's arrogant dismissal of opposition to the project created an explosive situation. Sympathetic protests further erupted around the country at the time of writing: in Ankara, Izmir, Van and Antalya. In his public remarks, Erdogan gave no hint that the project would be scrapped, and insinuated that people should only voice their opposition at the ballot box.

This line of thinking is why Erdogan and his party have been so successful over the last decade, but also may be his undoing. When protesters with little in common aside from a disdain of the prime minister are out in such numbers, he would do well to look inward. While the AKP remains by far the most popular party in the country, polling around 50 percent in the last election, he has done little to reach out to opposition voters outside of the Kurdish BDP. Dismissing the concerns of voters who oppose him on the street and ballot box is understandable. But it will do little to end the uproar.

The fact remains that Erdogan does retain significant political support in Turkey. With a booming economy and a feckless political opposition, the issue is unlikely to lead to his government's fall. However, observers have kept a cautious eye towards the military. Though cowed, memories of the Deep State's interference into domestic politics remains ripe in the minds of most citizens.

In all likelihood, the Gezi Park protests and resulting police crackdown were a perfectly timed catalyst on top of other issues. There is real concern in the country about the government's position on Syria. Additionally, the decision to dedicate the third Bosphorus Bridge to an Ottoman sultan who is best known as a butcher of the Alevis was ill conceived. These issues, along with uncertainty over the direction of the PKK-ceasefire, the recent alcohol restriction legislation and the violent crackdown on

this year's May Day protests have coalesced at Taksim Square.

Erdogan's self-righteousness towards those who oppose him sparked a reaction that will be difficult to soothe. The self-censoring Turkish media, afraid of retaliation by a government that locks up more journalists than any country, has left the prime minister out of touch. Indeed a popular photo on Twitter on May 31 showed the contrast between CNN International and CNN Turk, in which the former broadcast the protests while the latter ran a cooking show. Though he'll keep his position as prime minister, the Gezi Park protests may be remembered as the first step in opposition to his ascendance to the presidency.

Economy

Further protests could discourage tourists from visiting the country and hit a \$30 billion sector. Should the unrest in the country's major cities continue, signalling a weakness on part of the government, the risk of a financial panic rises. This could be a potential death knell for the country's fragile rise considering that the economy requires around \$200 billion a year to finance the deficit and foreign debt.

Turkey's third largest bank, Garanti, reported that a small number of customers had cancelled credit and debit cards along with withdrawing their savings in protest of the lender's sister company. That firm, Dogus Holding, controls the NTV broadcasting station which has largely ignored the protests. Though the chief executive called the withdrawals "limited", an estimated \$20 million were taken out of the bank's \$95 million in holdings.

The protests come as the country received a number of positive economic publicity in Western media markets. On May 17, Turkey was given an upgrade by Moody's rating agency, gaining an investment grading. The firm said that the upgrade was based on structural improvements in the economy and public finances, which could better insulate from external shocks like another slow-down in the neighbouring

Eurozone. On hearing of the news, shares on the Istanbul stock market rose and the country's cost of borrowing fell.

A recent Ernst & Young survey also gave Turkey high marks for its investment climate. The poll of 201 international business executives evaluated the economy's foreign direct investment trends and found that its large domestic market, stable growing economy, political stability and strategic geographic location make it an attractive destination for investors.

In another turn of good fortune, renowned American economist Jeffrey Sachs penned an op-ed in Britain's Guardian newspaper (Sachs, 28 May 2013, The Guardian), calling Turkey's economic success astounding. He extolled the virtues of the past decade of economic success, from the stricter regulation of the banking sector following the collapse of 2000-01 to investment in sustainable technology and infrastructure projects, both done increasingly by domestic firms. But his sentiment in promoting much of this to the deft management of the AKP government, drafted two days before the unrest flared in Istanbul, seems extremely dated now.

Admittedly, the example laid out by Sachs remain true regarding the last decade, but the recent week's unrest and the prime minister's response leave doubt in the total efficacy in his leadership going forward. The economy's potential has relied upon the political stability provided by the AKP's stewardship, but as the Gezi Park incidents continue to spread to other municipalities, corporations could shy away from future investment.

Energy and pipelines

Outside of grave domestic concerns, the country's location as a leading energy hub continues to provide it a unique position to profit from the transfer of gas and oil supplies. In late May, President Abdullah Gul announced that Turkey was fully prepared to use its pipeline and transport infrastructure to move Turkmenistan's natural gas to European markets. The

Central Asian nation plans to begin production and exports from the Galkynysh field, estimated to be the second largest in the world, by mid-summer. Currently it can only export to Russia, Iran and China, but the agreement between it and Turkey will allow it to connect to the TANAP project. For its part, Azerbaijan's state-owned SOCAR has signalled its interest in connecting its pipeline system to Turkmenistan's across the Caspian Sea.

NABUCCO West continues to move forward, following GDF Suez' end May announcement that it would buy into the project. The French firm will reportedly purchase a 9 percent stake in Austria's OMV shares. The participation of the well-known firm gives credence to the project that aims to diversify Europe's gas supplies away from Russia's South Stream project.

In Iraq, Kurdish and Iraqi government leaders are set to meet at the beginning of June in one last attempt to work out an agreement over sharing energy revenues. The issue was high on the priority list of the prime minister's May visit to Washington D.C., with the American government insisting on Turkey's help in soothing the split between Erbil and Baghdad. It

would be best for all parties, especially considering the increasingly close ties between Turkey and the Kurdish enclave. That partnership has elicited a number of projects like three proposed oil and gas pipelines and an ExxonMobil exploratory mission in partnership with the Turkish Petroleum International Company in northern Iraq. Keeping the profits flowing, in a fair and even manner, to Turkey, Erbil and Baghdad is the best outcome possible for regional stability.

Towards the end of May the Turkish Petroleum Corporation (TPAO) opened a tender for a project that aims to expand the capacity of the North Marmara Natural Gas Depository ("Tender for new natural gas depository begins", 23 May 2013, Hurriyet). In dire need of building up its own reserves for domestic consumption, Turkey aims to increase its gas storage capabilities by 10 percent of its annual gas consumption. Turkey's electricity grid operates largely on gas powered plants and security of the gas supply is a major policy concern for the country.

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