

Insights into Turkish Domestic and International Politics between 16 May – 16 July 2014

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Key Points:

- *Iraq implodes as the Islamic State (IS, formerly known as the Islamic State of Iraq and the Levant or alternatively the Islamic State of Iraq and Syria) allies with Iraqi Sunnis to overtake large swaths of the country's northwest, including the city of Mosul. Turkish hostages are taken in the city, and the Kurdish Regional Government of Iraq halts IS's march towards oil-rich Kirkuk.*
- *Turkey balks at an independent Kurdistan, but in the long run, a stable and secular Kurdish state might become a better alternative to IS on its borders.*
- *The CHP and MHP nominate religiously conservative Ekmeleddin Ihsanoglu as their presidential candidate, while the Kurdish HDP's Selahattin Demirtas may play kingmaker if Prime Minister Erdogan enters a runoff in the August election.*
- *Parliament passes groundbreaking law moving the PKK peace talks forward, just in time for the presidential election.*
- *The Central Bank continues to resist demands by the prime minister to sharply cut interest rates.*

Is Kurdistan good for Turkey?

Though always bubbling under the surface, the Middle East's sectarian polarization has increasingly boiled over in recent years. Military coups, simmering rebellions and full scale civil wars affect countries stretching from North Africa to Iraq. Turkey, held aloft as the nation in which political Islam could manifest itself in a truly democratic system, has been equally buffeted by these events.

Turkey's decision to back the nascent opposition movement against Syrian Alawite President Bashar al-Assad has, though unintentionally, helped widen the schisms across the Middle East. As the civil war in Syria intensified, Turkish Prime Minister Recep Tayyip Erdogan's Sunni-majority Justice and Development Party (AKP) opened the border to refugees fleeing Syria. The AKP has also turned a blind eye to the mainly Sunni militants moving south to fight the largely Alawite Syrian government forces. Unwittingly or not, Turkey opened the floodgates to jihadists from across Europe. Those fighters now make up some of the more extreme militant groups, particularly the Islamic State (IS).

Bolstered by its combat experience in Syria, IS staged a lightning fast military offensive in western and northern Iraq in early June. The group, which subsequently declared itself an Islamic Caliphate spanning Iraq and Syria, stormed the former's second largest city, Mosul. The capitulation of that regional capital directly impacted Turkey, as 81 of its citizens were taken prisoner by the militant group and its Iraqi Sunni allies. (Yeginsu, "Militants Storm Turkish Consulate in Iraqi City, Taking 49 People as Hostages," *The New York Times*, 11 June 2014.) Forty-nine Turkish citizens, including Turkey's consul general for Mosul, Special Forces soldiers and other diplomatic staff remain captive, though 32 truckers were released on July 3.

While the government of Iraqi Prime Minister Nouri al-Maliki flailed ineffectively in reaction to the onslaught, one group was able to hold IS forces at bay. Peshmerga forces of the Kurdish Regional

Government of Iraq (KRG) filled the security vacuum left in parts of northern Iraq as government forces disintegrated. The Peshmerga are among the most competent fighters in the Middle East, and are reflective of a people who have been besieged by the region's powers for decades.

The KRG's ability to stand on its own in the face of IS – especially in light of the al-Maliki government's reliance on Shia militias to shore up the rapidly vanishing armed forces – is a positive for Turkey's leaders. The savvy political minds in the AKP have capitalized on the rise of the secular KRG under Massoud Barzani in Iraq, partnering, to the chagrin of Baghdad and Washington D.C., with the nominally autonomous region over the past few years.

Under Prime Minister Erdogan, the AKP has made an effort to break from the reactionary Kemalist nationalism that typified previous Turkish governments' stances toward the country's Kurds. For more than a year and a half, a peace agreement has held between the Turkish government and the outlawed Kurdistan Worker's Party (PKK), the Kurdish separatist group. Though the PKK's leader Abdullah Ocalan sits in a Turkish prison, his continued participation in peace talks has given Erdogan room to maneuver at home and abroad. ("Ocalan thanks Turkish Parliament for Kurdish peace talks bill," *Today's Zaman*, 10 July 2014.)

Domestically, Erdogan and the AKP have benefitted at the ballot box from placating the Kurdish BDP party, a small but significant actor in the Turkish Parliament. The peace talks have also required that PKK fighters remain in their redoubts in the Quandil Mountains of western Iraq. This has led to stability in Turkey's southeastern provinces, where Kurds are the majority in many places.

Despite Ocalan and Barzani being opposites in the world of intra-Kurdish politics, the Turkish government's conciliation efforts have also paid off across the border in Iraq. In post-Saddam Hussein Iraq, the KRG under Barzani has consolidated its resources and established a solid political foundation.

That structure, honed in decades of armed combat with Iraq, has proven effective in countering Iraq's other power brokers, the Sunnis and Shia.

Since taking power in 2002, the most significant source of the AKP's success has been its stewardship of the economy. Turkey has experienced record economic growth under Prime Minister Erdogan. That record is even more impressive considering the 2008 recession, the near implosion of the neighboring Eurozone and the challenges of bordering Syria, with its raging civil war.

Yet that economic growth is fueled by oil and natural gas imports. According to the International Energy Agency, Turkey imported 93 percent of its oil and 98 percent of its natural gas in 2012. Fulfilling Turkey's energy needs has become the key to Kurdistan's increasing autonomy. Turkey's dependence on energy imports has been a major factor in Ankara's conciliatory stance towards the KRG's break with Baghdad over Iraqi energy profits in recent years.

In December 2013, Turkish energy firm Genel completed a pipeline from Kurdistan to Turkey that CEO Tony Hayward predicted would be fully commissioned by the fourth quarter of 2014. ("Genel Energy completes pipeline from Kurdistan Region of Iraq to Turkey," *Oil Review Middle East*, 14 February 2014.)

In a friendly and independent KRG, Turkey has a ready energy supplier and Kurdish middle man, despite the Ocalan-Barzani rivalry, to speak with should peace talks with the more militant PKK break down. Even more promising is that while many of the region's conflicts are religiously driven, the Kurds, though mainly adherents of Sunni Islam, are secular. Women are front line fighters in Peshmerga forces in Syria and Iraq, while the PKK counts females amongst its founding members.

In early July, Barzani said that he would ask the KRG's parliament to vote on an independence referendum later in the year. After years of strained relations with the autocratic regime of Iraqi Prime Minister Nouri al-Maliki, Iraq's Kurds have had enough. They now fully

control the oil-rich city of Kirkuk, which has a large Kurdish majority.

Barzani put it best: "The Kurds did not bring about the dangerous situation [that threatens] the integrity of Iraq. We did not create the situation in which Iraq finds itself today. We have not partitioned Iraq. Rather, it was others who brought about this catastrophe and broke up Iraq into pieces."

However, the KRG has not pushed its luck. Despite having the ability, Peshmerga forces did not move on Mosul. This was primarily for two reasons. The first was that, with control of Kirkuk, KRG leaders saw no need to be drawn into a protracted and large-scale fight with IS in order to save an al-Maliki government that has continued to alienate them. The second, and more telling, is that KRG leaders were hesitant about attempting to govern a Mosul that is a majority Arab. Under the KRG, Iraq's Kurds have prospered in the areas under its control. So have the region's minorities, like Arabs and Turkmens, as a consequence of the stability its governance has brought. But governing Mosul is a whole other matter, and the KRG rightly declined to take on such a monumental task.

Turkey, though, still concerned with the well-being of its remaining 49 hostages from the Mosul consulate, has privately told Barzani that the time is not right for independence and that the territorial integrity of Iraq is still in the region's interest. (Unal, "Ankara Tells Barzani Timing Not Right For Independence Drive," www.DailySabah.com, 15 July 2014.)

Significantly, this message was delivered in private, whereas Turkey has been known to deploy several battalions of soldiers when it did not appreciate the direction of events in northern Iraq. ("Turkey Crosses a Line," *The New York Times*, 23 March 1995.) Its caution is understandable, with Ankara not wanting to set any precedents for autonomous Kurdish regions that could come back to haunt it.

However, Iraq and Syria have proven that ethnic and religious tensions are too wide a schism to surmount for some of the region's countries. The long

anticipated (or dreaded, depending on one's perspective) independent Kurdistan may soon become a reality as the post-WWI Sykes-Picot Treaty which partitioned the Ottoman Empire is torn asunder by the realities of the contemporary Middle East. A strong, secular, energy exporting partner is good news all around for Turkey and more generally, the region as a whole.

Turkey's first elected president

Though Erdogan remains the most prominent political force in Turkey, there are signs that, after eight election cycles of continual defeats, the opposition is attempting something different.

Longtime Turkish diplomat Ekmeleddin Ihsanoglu, who left his post as the secretary-general of the Organization for Islamic Cooperation, will run under the combined Republican People's Party (CHP) and Nationalist Movement Party (MHP).

Hopes are that Ihsanoglu may finally be a candidate who can syphon votes away from the traditionally conservative, Sunni electorate that has buoyed the AKP for more than a decade. The son of an Islamic scholar, he is a graduate of Egypt's Al-Azhar and Ain Shams universities, leading schools for religious scholars in the Sunni school of Islam, and will not be easily painted as an "other" by the devout Erdogan.

The choice of Ihsanoglu is an interesting one in contrast to the current prime minister. While Erdogan has made a political career on his hard charging personality, Ihsanoglu is known for being thoughtful and soft spoken. These qualities, highly sought in a diplomat, may skew things in his favor as the campaign intensifies over the summer.

The CHP and MHP's tactic of meeting Erdogan head-on has made little headway with voters. The largest two opposition parties appear to be learning that you cannot out-punch a puncher.

While Erdogan has captured the Islamist vote in past elections, he has not faced an opponent that can connect with a majority of religiously conservative voters yet. Should he go on the attack against the

former diplomat, Erdogan and pro-AKP media outlets run the risk of alienating those who have tired of the prime minister's less attractive qualities.

Yet even while he works to bring religious voters along, Ihsanoglu has spoken out forcefully against radical Islamic militants operating in Iraq and Syria.

"ISIL [IS] is a ruthless terrorist movement that gives its biggest harm to Islam," he said during a trip to the province of Bursa. "If you decide to support [IS] to a certain point and then try to part ways, you will have great trouble. Foreign policy should be performed in a discreet, calm way." ("Ihsanoglu: ISIL is a terrorist gang with no links to Islam," Hurriyet Daily News, 12 July 2014.)

The remark has gone a long way towards reassuring nervous secular members of the CHP and MHP that they are not trading one Islamist leader for another.

The most interesting candidate by far, however, has to be the one who stands absolutely no chance whatsoever of winning the August presidential election.

Elected to Parliament in 2007, Kurdish People's Democratic Party (HDP) candidate Selahattin Demirtas shares a somewhat common past with the front runner, Prime Minister Erdogan. In particular, they have both served time in prison for their political activities. Erdogan's stint came due to his place as a supporter of the Islamist government of Necmettin Erbakan, which was toppled by a military coup in 1999. For his part, Demirtas served time for activities allegedly connecting him to the PKK in 2010.

The HDP, a recently formed party that 21 members of the Kurdish BDP joined in April in order to coalesce more votes in the Parliament, is still largely made of BDP deputies. The BDP is mostly symbolic since it rarely polls above 10 percent, the threshold necessary to officially take power in the Parliament, but Demirtas and his party may become king makers as August approaches.

A presidential candidate will need to capture 50 percent of the vote in the first round of elections. Should this fail, a runoff will take place between the top two finishers. Depending on how close the first round of voting goes, Demirtas and the HDP could make the difference in the election depending on which candidate they back in the runoff.

The PKK talks move forward...slowly

The Turkish Parliament took an unprecedented step forward on the peace process, just as the presidential election heats up. The legislation, signed into law on July 15 by President Abdullah Gul, provides legal means for formal negotiations between the government and the PKK. Prior to its passage, there was no legal way of negotiating or interacting with the group since it is identified as a terrorist organization by Turkey, the U.S. and EU. (Solaker and Sezer, Turkish president approves Kurdish peace process law," Reuters, 15 July 2014.)

The new law will protect both Kurdish politicians and activists who have been prosecuted over the years for their connections with the outlawed organization. It will also protect government officials in charge of negotiating with and disarming the militants.

The legislation, first introduced by the AKP in late June, was opposed by all deputies of the nationalist MHP, who oppose any settlement process.

PKK leader Abdullah Ocalan thanked the Turkish Parliament for its actions, but the organization's second in command was less receptive to the news.

In an interview, Cemil Bayik stated: "They [Turkish state officials] still consider the [Kurdish] issue as a matter of security. They have always done so. And for this reason, they have insisted on military and intelligence methods to solve the matter. But they have not considered it as a matter of politics and human rights. Now, they have to name the problem correctly. The matter is not to end terrorism. It is to solve the Kurdish question." ("PKK asks for more as Parliament approves settlement reform bill," Today's Zaman, 16 July 2014.)

Though that is a sobering note, the fact remains that soldiers will always remain skeptical of a cease fire, even after the guns have fallen silent. The new law is an incredible departure from decades of precedent. It paves the way for substantive talks to end the four decade conflict. The timing was politically motivated, but, if successful, it will be one of the crowning achievements of the Erdogan era and modern Turkish history.

The Central Bank Resists Populist Pressure

Though this publication rightly deserves criticism for its occasional harping on the crassness of Prime Minister Erdogan, such words do come forth with reason. The latest example in this regard is the prime minister's attacks on the Turkish Central Bank in late May.

Breaking from normal protocol adhered to by leaders of freely elected governments, Erdogan publicly criticized the Turkish Central Bank for what was, in his view, its lack of action in cutting interest rates enough. Understandably, as inflation rises and the lira loses value, the prime minister is worried about the electoral consequences as the August elections approach. Along with Economic Minister Nihat Zeybekci, the prime minister's goal is to boost Turkish exports. Yet a head of state's interference in the monetary policy of the central bank is a dangerous precedent to set.

Predictably, the Turkish stock index plunged along with the currency's values as the month of May closed out, with investors widely admitting they were concerned with the government's interference with the Central Bank's authority. In the short term, this is good for Turkish exporters. But at some point, capital flight away from Turkey will occur, and interest rates will rise as a consequence of market forces. The currency has yet to recover from the fallout of the December 17, 2013 corruption investigations that initially precipitated the lira's fall. Investors told Reuters that a larger interest rate cut could actually

undermine the currency, especially in light of the expansion of instability in Iraq, Turkey's second largest export market.

Nonetheless, the Central Bank lowered its overall interest rates to 8.25 percent in late June. (Sezer, "Turkey cuts main interest rate, resists pressure for sharp move," Reuters, 24 June 2014.) The move was applauded by markets, while still falling short of the government's approval.

Central Bank Governor Erdem Basci has an unenviable task as the presidential election approaches. Look for the prime minister to freely associate Basci with the interest rate lobby that Erdogan continually blames for Turkey's economic shortfalls. Populism is the prime minister's strong point, and no market forces will stand in the way of his ultimate goal of capturing the presidency.

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