

Insights into Turkish Domestic and International Politics during December 1-31st 2012

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Key Points:

- *Turkey receives permission to post NATO's Patriot missile batteries in the country's south to combat potential attacks from Syrian Scuds*
- *The potential of Kurdish-Arab splits in the Syrian civil war continue to drag Ankara further into the deteriorating situation in the country.*
- *The Central Bank begins implementing a plan to protect the country's banks from risky investment, while the government's monetary policy seeks to ease inflation caused by expanding domestic credit availability.*
- *Prime Minister Erdogan's presence sparks protests at an Istanbul university, with the ensuing violence employed as a "stick" with which to beat the ruling AKP by opposition parties.*
- *Erdogan's office reportedly tapped; prime minister claims by the Deep State. However a lack of definitive perpetrators leaves many questions as to the validity to the claims.*
- *KRG Prime Minister Barzani assures U.S. on proposed Turk-Kurd pipeline, claims disputes with Baghdad should remain in the economic, not political realm.*
- *Shah Deniz II considers buying into Nabucco West, while Ukraine responds to South Stream by exploring a potential membership in TANAP.*

Syria

With the backing of the NATO alliance, Turkey will receive military support from members Germany, The Netherlands and the U.S. in the form of Patriot missile battery systems. Each country will send two battery systems, with accompanying crews and hardware to the Turkish-Syrian border. The American missiles will be placed south of the city of Gaziantep, while the Dutch and German batteries will be located in Adana and Kahramanmaras respectively.

The need for the missile defense systems is even more pronounced following claims of the use of Scud missiles against opposition forces by the Syrian military. In the mind of Turkish military and civilian leaders, as Syrian opposition fighters continue their slow slog against the government, the regime grows closer to using any means necessary to ensure its survival. In early December, Syrian shells landed in Turkey's Hatay province again. Similar incidents occur on a weekly basis along the border, in which the Turkish Air Force is continually forced to respond to by scrambling its own fighter jets. While the regime in Damascus knows the red line – as pronounced by the U.S. – is the use of chemical or biological weapons, Turkish leaders are in an uncomfortable position. While the war in Syria is something Europe and the U.S. are concerned with, the presence of tens of thousands of Syrian refugees in Turkey are an ever-present reminder of the actual implications of the deteriorating situation to the south.

Combined with this is Ankara's unease with a PKK-aligned force expanding its presence in areas of Syria abandoned by the Damascus government. Fighting has erupted on numerous occasions between the Democratic Union Party (PYD) of Syria's Kurds and units of the Free Syrian Army (FSA) in the past two months. While some of this has been attributed to Kurd-on-Kurd political infighting, many Syrian Kurds remain suspicious of Arab dominated, Turkish-backed opposition groups fighting the forces of President Bashar al-Assad. As prominent Kurdish politician Qubad Talibani recently said, "As far as the Syrian Kurds are concerned, the opposition is as bad as the regime." (*Time*, 27 December 2012).

The chances of the al-Assad regime surviving seem increasingly remote, though regional actors fear its defeat will only be the first part in a civil war that next pits Arab against Kurd and religious sects against one another. Turkey's leaders should follow their own example in successfully reaching out to the Kurdish Regional Government of Iraq and conduct meaningful dialogue with Kurdish political and military leaders in Syria. Thirty years of armed combat against the PKK in Turkey have shown very little, but the progress with the regime in Erbil has proven that dialogue with Kurds will work. It will take political courage and a first step by leaders in Ankara, but the alternative means being seen as taking sides in the second portion of the Syrian civil war. For the region and its own stability, Turkey needs to make the effort now to help avoid this scenario from unfolding.

Economy

Turkey's stock markets have ended the year on a two month rally following the November move by Fitch Ratings to qualify the country's index as investment grade.

Major Turkish firms Turkcell and power provider ZOREN closed out the month with increasing gains. The country's Central Bank also unveiled its plan to combat risky lending, which many Turkish banks rely on to expand assets. Should these foreign assets begin to rapidly withdraw, the capital flight could lead to banks being unable to repay the debt accrued in their expansions. The Central Bank's initiative seems to have been taken in stride by the markets, and fits in with the government's own policies at cutting down on its deficit. The recent rise in consumer credit availability lead to a deficit of around 10 percent last year, with losses to the Turkish lira being around 18 percent.

Domestic Politics

Despite polling above a 50 percent approval, Prime Minister Tayip Erdogan was again at the center of a domestic storm as students at Middle East Technical University (ODTU) protested his visit at a ceremony

celebrating Turkey's launch of a satellite into orbit. A crowd of several hundred protesters attempted to keep Erdogan from entering the university's grounds, but was broken up by riot police using tear gas and water cannons.

The prime minister, never one to back down from confrontation, remarked that students instigated the violence, leading to the heavy-handed police response. However, the university's rector publicly contradicted the Erdogan's narrative, saying the police were responsible for turning the protest violent. As the furor over the violence grew, presidents from the country's other main higher learning universities criticized the student protesters. In response, students across many Turkish universities have staged solidarity marches of their own to show their support for the counterparts at ODTU. The leaders of the two main political opposition parties – the CHP and MHP – criticized Erdogan as well. CHP head Kemal Kilicdaroglu commented publically to the effect that “We are, of course, against violence. There should be no violence. But we are equally against an understanding that regards the students’ right to protest, to open placards and to shout slogans, as violence.”

In other matters, the government revealed that evidence had been uncovered showing the prime minister's office was wire tapped. The recording devices were reportedly found a year ago. Though no arrests have been made, investigations into their sources are continuing. Erdogan has alluded to the “Deep State” as the source of the plants, though the lack of arrests is a confusing sign given the propensity of convictions of a host of coup plotters in the past year. The timing of the announcement – specifically the battering in the opposition press following Erdogan's response to the ODTU protests – is interesting since no specific explanation has been given as to who would be wiretapping the country's highest official. It wouldn't be the first time a politician has hinted at unknown antagonists to change a news cycle. Given Turkey's past, it may even be true. But the lack of arrests after a year of investigations is quizzical. Until the government

produces hard evidence to back Erdogan's allegations of Deep State involvement, many Turks will remain skeptical.

Relations with the Kurdish Regional Government (KRG) of Iraq

Despite a late December bombing raid by Turkish Air Force planes against targets inside Iraq against PKK militants, Ankara continues to foster positive relations with the government in Erbil. The KRG Prime Minister Nechirvan Barzani spoke about the positive relationship his government has with Ankara. (Time, 20 December 2012).

With over \$15 billion in foreign energy investments in the booming KRG territory, Turkey's importance as an investor and export market is vital to Erbil as its relations with Baghdad remain woeful. Barzani lays much of the blame at the feet of al-Maliki, but has reassured skeptical parties – including the U.S. – of Erbil's willingness to talk on ways to improve the relationship. For its part, Washington has raised concerns that a proposed oil pipeline from the KRG to Turkey could threaten the integrity of Iraq.

But as Barzani noted, an independent Kurdistan would not be promoted by the same Turkish government that has ramped up military operations against the PKK over the last year. Reiterating this point, the president of the largest independent energy firm operating in Iraqi Kurdistan said that despite the tension between the parties involved, “With potentials so high, economics will outweigh politics.” (Daily Hurriyet, 10 December 2012).

The pipeline and the energy deals that currently threaten the Baghdad-Erbil relationship should be taken in an economic context and not a political one. The same tact has worked so far in improving relations between the KRG and Ankara, proving that dialogue is possible if parties focus on what they have to gain rather than lose.

Nabucco West and TANAP

In a boost to the Nabucco West project, the Shah Deniz II gas holding is considering buying a 50 percent stake in the consortium in January. According to remarks made by a representative of the project's Bulgarian stakeholder (BEH), the deal may be completed by January 10 during a shareholder's meeting. If successful, the signing will put the revamped project back on track to link up with the TANAP pipeline and begin deliveries in 2018.

During a recent visit to Ankara where he attended meetings of the Black Sea Economic Cooperation

Organization, the Ukrainian foreign minister announced that his country would begin investigating the plausibility of entering as a partner to TANAP. The move is a geopolitical snub of Russia, whose own South Stream project seeks to bypass Ukraine following gas contract disputes that occurred regularly over the past decade. In addition to the pipeline, Ukraine is also seeking to expand cooperation with its Black Sea neighbor in other projects like underground gas storage sites and joint energy exploration and production ventures in the Black Sea.

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