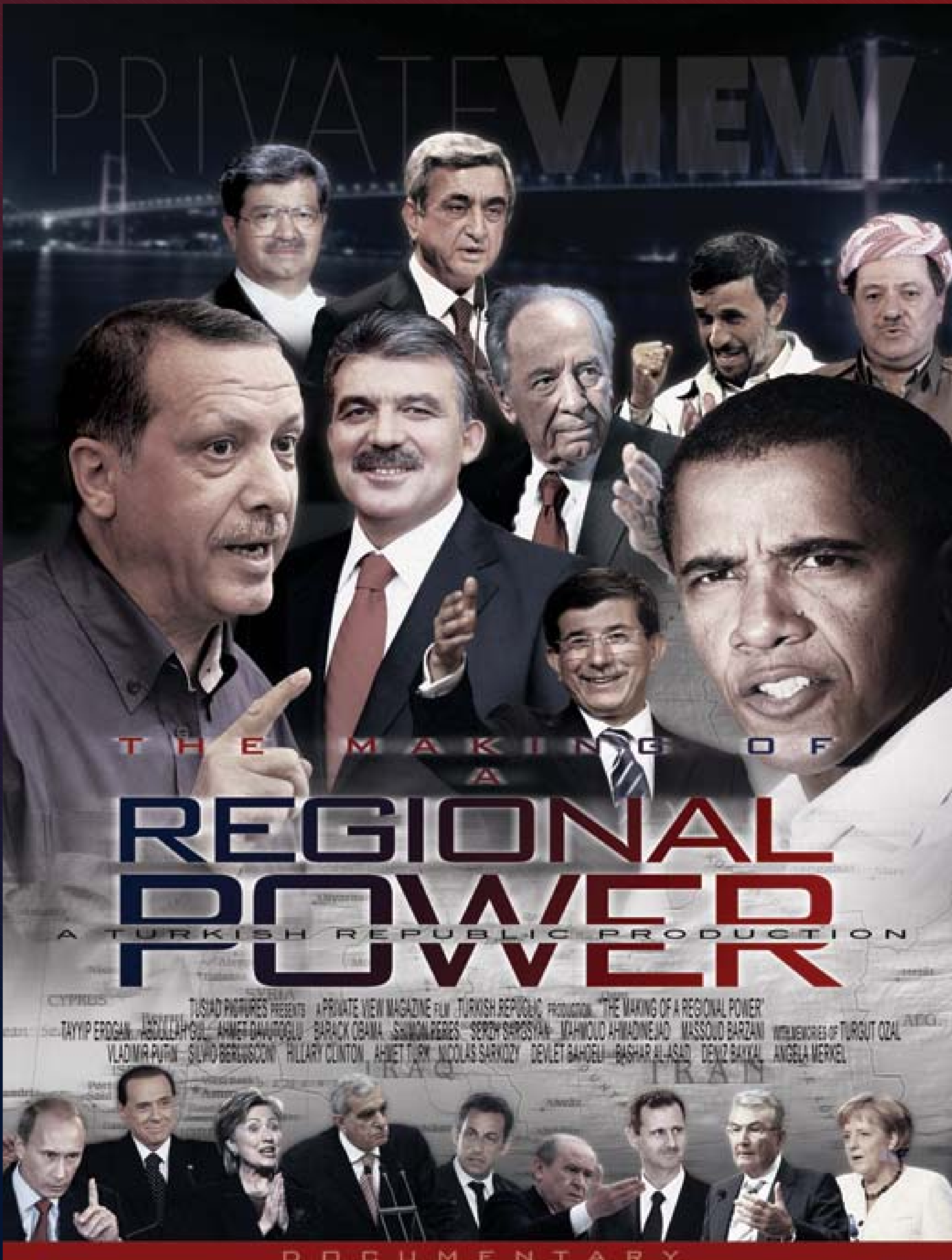
WINTER 2009 NO. 14



THE INTERNATIONAL REVIEW OF THE TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

TÜSİAD

For reliable analyses: TÜSİAD Reports

This report analyzes the US-Turkey bilateral relations during the presidency of Barack Obama and proposes some policy alternatives in order to rebuild the partnership between two countries in a period of global economic and political restructuring.

This report analyzes the key issues of liberalization in the electric and natural gas markets in Turkey underlining the risk of energy shortages the country will face once the impact of the current financial crisis is over, if the liberalization of the energy markets is delayed any further.

TÜSİAD

For further information,
please contact TÜSİAD from
00 90 212 249 19 29

PRIVATE**VIEW**

the making of a regional power

Hardly a day passes by without a critical look in major global media outlets at Turkish foreign policy these days. Most observers try their best to fully grasp the content and implications of the “Strategic depth” doctrine, the Turkish foreign minister’s conceptual framework in devising the country’s foreign policy.

Some of the analyses are speculative. They raise questions about Turkey’s strategic allegiance and claim to detect the islamization of Turkish foreign policy.

In a myriad ways Turkey participates in the making of a regional order that will fully take shape in coming years. Over the course of the last decade the once reactive foreign policy posture of the country was transformed gradually into one of proactive, constructive engagement.

In the wake of the Iraq war, concerned with region-wide chaos, Ankara became more active in promoting stability, cooperation and integration with all its neighborhoods. Hence its once unimaginable openings towards Armenia, Serbia, Syria and Iraqi Kurds.

Relations with the United States having hit rock bottom during the first Bush administration are increasingly cozier. As such they give lie to claims that Turkey is moving away from its western strategic partners.

Yet it is also true that neither Turkey’s interests nor its foreign policy agenda are dominated solely by transatlantic considerations. Ankara carves out for itself a widening zone of interest and engagement. It participates in regional and global politics as a play-maker rather than just a partner.

As the country’s foreign policy was increasingly under scrutiny and generating much confusion we decided to shed light on it and present to our readers the making of a regional power.

PRIVATEVIEW

WINTER 2009 NO.14

departments

Illustration by Emre Ulaş

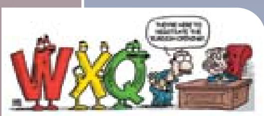


Illustration by Emre Ulaş


Illustration by Emre Ulaş


Photo by Coca Cola

TÜSİAD

INTERNATIONAL REVIEW OF TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION (TÜSİAD)

publisher Arzuhan Doğan Yalçındağ (As chairwoman of TÜSİAD)
TÜSİAD editorial board Ümit Boyner, Soli Özel, Ümit İzmen
editor Zafer Ali Yavan
managing editor Soli Özel
associate editor Nur Beler
executive art director Cihat Özdöl
art director Handan Özdöl
graphic design and production 2. Adres Visual Promotion Services
printing İyi İşler
advertising department Cihat Özdöl
+90 212 274 2787 cihat@ikinciadres.net

The articles published in Private View, the international quarterly journal of TÜSİAD, express the views of the authors and in no way reflect the positions or the opinions of the association unless otherwise stated.

The publisher reserves the right to accept or reject all editorial and advertising matter. The publisher assumes no liability for unsolicited manuscripts photographs and art work. All rights reserved. Reproduction without permission is prohibited.

correspondence On matters concerning the journal, write to TÜSİAD Meşrutiyet Cad. No74 Tepebaşı 80050 İstanbul-Turkey Tel +90 212 249 5448 - 249 1929 Fax +90 212 249 1350 - 293 3783 www.tusiad.org

Cover Story "The Making of a Regional Power"


Photo by HaberTürk

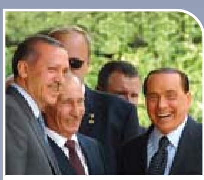


Photo by HaberTürk

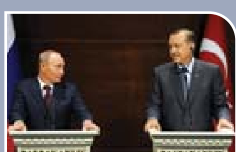


Photo by HaberTürk

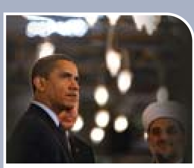


Photo by HaberTürk


Photo by HaberTürk

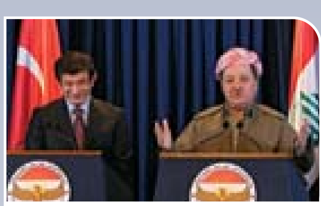


Photo by HaberTürk


Photo by HaberTürk

TÜSİAD

Arzuhan Doğan Yalçındağ

"CRISIS AND OPPORTUNITIES"

THE STRATEGIC LOCATION OF TURKEY WOULD SECURE ALTERNATIVE ENERGY SOURCES AND SUPPLY ROUTES FOR EUROPE. TURKEY WOULD ALSO BE AN ASSET FOR THE EU'S COMMON FOREIGN POLICY, WHICH IN TURN WOULD ENHANCE THE TRANSATLANTIC FRAMEWORK. IN THIS RESPECT, THE SIGNING OF THE NABUCCO PROJECT IS A MILESTONE, BOTH FOR TURKEY AND THE ENERGY SECURITY OF EUROPEAN COUNTRIES.

These are historical times. The global economic crisis besides having important economic consequences, has serious repercussions for the shaping of strategies in world politics. The contagious crisis has instigated a reassessment and altering of the parameters in the world. Economies and politics of developed and developing countries are more intertwined than ever. With the rules of the world economy changing, many countries and international organizations are reassessing their political and economic orientations. It is now time for Turkey, to consolidate its economy and democracy, and to demonstrate its readiness for European Union membership.

Discussing the implications of economic developments is a multifaceted task. Thus, we need to deal with significant issues, such as energy security, geopolitical implications for Turkey's neighborhood and beyond, interpreting the new global political environment, and creating overall policy recommendations for the future of Turkey and Europe.

The coordinated action of G-20 countries to stimulate global economic growth and world trade will be crucial to overcome the crisis. To this end we must do our utmost to avoid having recourse to any kind of protectionism. We are pleased that the funds of the IMF will be increased and the voting rights of the emerging markets will be enhanced as was decided at the G-20 summit and the annual meeting of IMF.

The latest financial crisis has found Turkey in better shape than other emerging economies due to the reforms that were introduced after the crisis of 2001. We registered remarkable progress in the years following that big crisis. The severity of the crisis has persuaded everyone that reforms were essential. In the current period of economic downturn, rising unemployment and declining exports, Turkey is in need of looking for alternatives to finance its growth in the post-crisis period.

Due to unexpected shifts in supply and demand and the economic crisis, the issue of energy security has become more crucial than ever. The global economic crisis led to a readjustment of projects dealing with diversification of energy resources and establishing alternative energy. In this context, Turkey's importance is clearly revealed. The strategic location of Turkey would secure alternative energy sources and supply routes for Europe. Turkey would also be an asset for the EU's common foreign policy, which in turn would enhance the transatlantic framework. In this respect, the signing of the NABUCCO project is a milestone, both for Turkey and the energy security of European countries.

We believe that Turkey's EU membership bid cannot be considered separately from its endeavors in the transatlantic framework. Turkey's place in today's global political economy would be evaluated in the best way possible, if it is identified as an EU candidate and a strong partner in the transatlantic equation.

In addition to dealing with the global economic crisis, 2009 is also a critical year for Turkey concerning the revitalization of the EU accession process. Although the negotiation process has progressed very slowly in the last years, our commitment to EU membership continues unabated. The Turkish business community and TÜSİAD in particular have consistently supported Turkey's EU vocation. Over the past few years when the government appeared to be drifting from this course we kept our position and voiced our concerns.

Turkey's EU membership means a 'win-win' situation for both parties. The rejection of Turkey, in our view, is completely against the spirit and values of European integration. We are aware of the fact that there is a big discord within the EU about deeper integrationist views and those who favor enlargement. The rejection of the European Constitution and the difficulties in the approval of the Lisbon Agreement proved this. The structural and institutional problems arising from the latest enlargement wave are not yet solved.

However, these problems are not generated by the prospects of Turkey's membership. We are confident that the EU with its democratic and pluralistic credentials will solve this dilemma in an optimum way. Under contemporary conditions of globalization, the understanding of "fortress Europe" would be economically, geopolitically and culturally self-defeating. It would turn Europe into a narrow-minded, ethnocentric, and peripheral peninsula of Asia, the position it had before the rise of European hegemony in early modernity.

Turkey's proactive foreign policy has become more visible in recent times. Turkey is now a member of the United Nations Security Council and a participant of the G-20 group in a period as world politics undergo massive changes.

In the long-term projections extending to 2050, the Turkish economy will be among the top ten in the world. Ankara's closer political cooperation with its neighbors and the gradual positioning of these neighbors as an extension of the Turkish market relate to this fundamental fact.

Turkey's facilitator role in various conflict situations surrounding its region, such as its efforts in the Caucasus and the Middle East crises and its attempts to normalize relations with Armenia also becomes increasingly important in enhancing its status as a pivotal regional power and a transatlantic partner.

In line with the policy of "zero problems with neighbors", Turkey is seeking ways to be active regionally in the fields of security and economy. The new visa agreement with Syria, tightening ties on energy, security and transportation fronts with Iran are opening novel areas of influence within the region.

None of this is or should be at the expense of Turkey's primary strategic orientation, the Transatlantic Alliance. The TÜSİAD report published this April, entitled "Turkish American Relations for a New Era: A Turkish Perspective" is a detailed study of how the Turkish - American relations have entered a new phase, given the current reshaping of the transatlantic framework. We know that there is a great potential of cooperation not only in the strategic and military sense, both also in trade and foreign direct investment.

What will the future hold for transatlantic relations? What will Turkey and the EU of the near future look like? It is difficult to find clear answers to these questions, given the uncertainties we are faced with. However, we know a few things for sure. If Turkey continues with its political, social and economic reforms and the concomitant "opening" policies in compliance with the EU membership process, it will find itself in a much more qualified position as a world power.

This will result in a substantial contribution to all the European structures, be it security, energy, foreign policy or economy. On the other hand, we hope that the EU will emerge from the economic crisis and its internal restructuring endeavors as an ever-stronger Union. Turkey's EU membership will definitely be an important asset for Turkey, for the EU and for the future of transatlantic relations.

THE ROAD TO AUTHORITARIANISM?

İlter Turan

Turkey's domestic and external politics are changing. Some say that this is normal. As domestic and international conditions change, it is natural that domestic and foreign policies undergo adjustments. Others suggest that not all changes are innocent byproducts of domestic and international developments but the implementation of a deliberate policy to change the order that has evolved since the Republic's founding. The economic transformation Turkish society has undergone during the last three decades has produced a redistribution of power that is beginning to reflect in its politics and governmental institutions. Whether these are tantamount to a concerted effort of regime change, however, needs careful evaluation. Similarly, it is clear that changes in the international environment and in the Turkish economy are reflected in the choices and conduct of Turkish foreign policy. The transformation of external economic relationships has generated new potentials for the exercise of "Turkish soft power" in the surrounding regions. But, does that really mean an entirely new foreign policy?

The battles of the elected and the appointed

Those familiar with the earlier issues of Private View will have no difficulty in recalling that one of the keys to understanding Turkish politics is the struggle for power between the elected and the appointed elites. The founders of the republic and their successors tried to build a political system with sufficient institutional safeguards so that elected governments would not be able to challenge its strictly secular nature. After the transition to competitive politics, the scope of intervention and decision making of those elected has steadily expanded although several direct and indirect military interventions have attempted, albeit unsuccessfully, to redress the balance. The growth of the Turkish economy after 1980 led to the strengthening of society against the state; the end of the Cold War reduced tolerance for authoritarian regimes; Turkey's affiliation with the EU reduced the likelihood of military interventions and single party governments after 2002 brought stability. These developments strengthened the role of elected governments and reduced the constraints under which they operate.

Earlier concerns that the strictly secular-modernizing state constrained elected governments too much are nowadays being replaced by an equally compelling concern that checks and balances in the system are being severely undermined. These are exacerbated by the fact that the country lacks a credible opposition. True, there are opposition parties; but their prospects for ever achieving power are bleak. They also fail to offer policy alternatives regarding major concerns of the electorate. A review of events may help substantiate these observations.

Let the people decide

The election of a new president in 2007 symbolized the struggle between the elected and the appointed. When the Justice and Development (AKP) government initially failed in its bid to have its candidate, Vice Premier and Foreign Minister Abdullah Gül elected president, PM Erdoğan got through the parliament a constitutional change which reduced the non-renewable term of the president from seven to five years, allowed a one-time only reelection and changed the locus of the election from the parliament to the electorate. The constitution requires that an amendment be submitted to a public referendum if it has received more than three fifths but less than two thirds of the vote of the entire parliament. After the July 2007 elections, Mr. Gül was elected president. Rather than suspending the constitutional referendum, however, the government proceeded to hold it in October. It seems that the PM wanted to free the election of the president from the set of elaborate procedures depicted in the constitution; otherwise, the change introduced a popularly elected presidency that is untypical in parliamentary systems. The change received 69 percent support to the embarrassment of the opposition. It is speculated that, in addition to other motivations, the change serves the personal ambitions of the PM whose plans probably include the presidency in 2017.

There are prosecutors and judges in Istanbul

"There are judges in Berlin" is an expression attributed to a German peasant who was expressing his confidence in the Prussian judicial system. Turkey's judiciary has also been seen as a highly competent and professional organization enjoying the confidence of the public throughout the history of the republic. Such confidence, however, has been eroding during recent years. From its beginnings, the judiciary has had a built-in weakness that is a cause for complaint. During the founding stage of the republic, laws were conceptualized as instruments through which social change would be achieved. This produced legal-institutional arrangements and a process of socialization in the judiciary that were protective of the interests of the state. The judiciary was not equidistant from the state and the citizenry. Public prosecutors understood their job to be defending the interests of the state. They sat next to the judges, enjoyed a privileged position. Though causing occasional complaints, the state proneness of the judiciary had come to be taken for granted over time, and did not undermine the trust and respect society accorded it.

More to the point is the voluminous expansion of the burden of the judiciary. Such expansion has produced undesirable outcomes such as failure to deliver timely justice, erroneous decisions, incompetence in dealing with questions in a rapidly transformed economic environment and allegations of corruption. Governments have so far failed to develop a satisfactory response.

Recently, a new problem has appeared. Public prosecutors, lacking brilliant career records, have initiated major investigations on scant information, ordering pre-dawn raids into homes, taking people into custody and then taking a long time to prepare their case. Some of the evidence such as information from unauthorized wire tapping, contents of xeroxed documents that cannot be authenticated as well as hearsay, though inadmissible in court, have been used to develop highly speculative cases against public personalities that are noted for their views highly critical of government policies, especially regarding the observance of strict secularism. More disturbingly, information from wiretapping and other private sources, much of it having nothing to do with the case at hand, are leaked to the press, defaming individuals. The legal case, often built in large part on insufficient and inadmissible evidence, may not lead to a conviction.

The best known example of the phenomenon is the operation codenamed Ergenekon that the reader may recall from our last issue. Waves of shocking raids and arrests have become commonplace during 2009. Prominent figures including several generals as well as officers of lower ranks, rectors of universities, well known journalists and civic leaders have been taken into custody and spent or continue to spend time in jail. The most unacceptable of such arrests was that of Professor Türkan Saylan,

The impression of the public regarding the Ergenekon affair is not one of "justice is being served" but that of "Big Brother is Watching You!"

When critical remarks are directed against him or his party, it is usual for Mr. Erdoğan to engage in personal polemics with opposition leaders, deputies, businessmen or journalists.

to be close to the ruling party. In that particular case the government displayed unusual sensitivity to the rights of the accused and protected them so much that the latter are yet to be taken in for questioning.

The impression of the public regarding the Ergenekon affair is not one of "justice is being served" but that of "Big Brother is Watching You!" Big Brother, in this instance, includes pro-government prosecutors, police and other agencies of government that have been engaged in the collecting and dissemination of information about citizens which the laws of the country do not authorize.

an ailing long-term cancer patient who died shortly after a raid on her house as part of the so-called 12th wave of Ergenekon arrests. The arrest of Professor Saylan, who was against military interventions, did much to undermine the legitimacy of the operations. Her major crime appeared to be to run a successful foundation that was devoted to educating underprivileged girls and being a staunchly secular personality.

The trial of nearly 150 persons indicted by the Ergenekon prosecutors has recently started. It is entirely possible that some of the personalities involved were engaged in an organized plot to take over the government which they felt were undermining the fundamental values and achievements of the republic. Some of the evidence available to the public such as the discovery of hidden caches of arms and notes kept at meetings among commanders where the need for intervention was discussed lends credence to such a contingency. But the indiscriminate way the prosecutors have gone about gathering evidence including illegal wiretapping and eavesdropping, the careless way this private information reached the public, the insensitivity displayed in keeping people under custody for long periods without charging them, taken together, generate the suspicion that the investigation has provided the occasion for the launching of a vendetta against the hard-line segments of the secularist camp. The government has expressed little sympathy for the criticism leveled against the actions of the prosecutors which have included investigating the high school children who have received scholarships from a secularist foundation and their families. It has preached patience and urged the public to wait quietly for the judicial process to unfold. This is in marked contrast to the Lighthouse Society scandal that involved personalities and business groups known

too much!

The government party, especially the PM, does not take kindly to criticism. When critical remarks are directed against him or his party, it is usual for Mr. Erdoğan to engage in personal polemics with opposition leaders, deputies, businessmen or journalists. On several occasions, when he felt that the attacks were personal, he has not hesitated to take "perpetrators" to court. The largest media group in Turkey does not toe the government line. The group dailies often criticize government policies and actions. Therefore, the owner of the group, Aydın Doğan, has not managed to escape the PM's wrath. Mr. Doğan is a modern businessman with multiple interests among which papers, radio and TV stations occupy a prominent place. The government finds it difficult to muzzle the media and has judged it easier to look into the business side. Twice within the same year now, the group has been charged with tax evasion. The penalty, fees and interest payments in these two rounds amounts to approximately four and a half billion TL (3 billion USD), exceeding the net worth of the group.

The basis of the penalties appears to be weak and there is a good chance that the finance ministry or the courts will reverse the ruling. But the government's use of tax review as a coercive instrument has been unsettling for both businesses and the media. This author is yet to meet someone who views the affair as part of the ordinary activities of the tax office. Everyone seems to be convinced that the government is out to get Mr. Doğan and bring down his media empire. News in the international press echoes a similar concern that freedom of the press is under pressure. The incident does not bode well for Turkish democracy which is already in need of improvement.

The desire to render critical press complacent has been accompanied by efforts to help pro-government media to develop. Credit facilities have been made available to other businessmen to help them acquire and/or develop new newspapers and TV channels where the government and the PM receive kinder and often supportive treatment.

Party versus the state: An ever thinner line!

The actions of the government described above may lead an observer to suspect that the government intends to master total control of the government apparatus so as to indulge in arbitrary exercises of power. Such suspicions are only reinforced by a pattern increasingly visible in bureaucratic appointments. There appears to be a government policy whereby appointments are extended exclusively to persons who are trusted politically, at times irrespective of their qualifications and the imperatives of long standing Turkish bureaucratic tradition. For example, in the case of the tax penalties levied on the Doğan Group, the inspector who initially examined the case concluded that there were no legal grounds for the penalty. He was taken off the case and came under examination himself for having failed to discharge his duties properly.

There appears to be a government policy whereby appointments are extended exclusively to persons who are trusted politically, at times irrespective of their qualifications.

On a smaller scale, recently a building of a high school run by a foundation was torn down over the weekend by Istanbul metropolitan government for having violated zoning regulations. The school was established by Zafer Mutlu, the editor of Vatan, a Doğan Group newspaper. Vatan's critical line did not sit well with the government. Whatever the irregularities associated with the school, it was telling that the notice was served just before government offices and courts were closed on Friday so that the decision could not be challenged in court and an order of stay be obtained.

Governorships, the chief agency of the central government in the provinces, have been filled by politically trusted individuals whose unquestioned willingness to implement government orders have been matched by their religiously conservative attitudes and lifestyles. One such governor made a big scene after he became the temporary "non-partisan" interior minister, prior to the elections of 2007. At a business lunch, he was served risotto, a dish he had not had before but enjoyed. He complimented the chef and asked for the recipe. Upon discovering that wine was used, he made a big scene, complaining that he had been tricked into eating food containing alcohol. After the elections, he returned to his former position. The point is not that he does not consume alcohol but that he chose to make a public scene. Another governor used anti-poverty funds to distribute free white goods in an electoral district where the government party was not expected to do well. Most recently, another governor ordered the urinals removed from public toilets because it was not in conformity with religious tradition to relieve oneself while standing up. This decision seemed so scandalous that the government chose to remove the governor a few weeks later.

The government wants bureaucrats to obey it and does not like "no" for an answer even if it is based on the fact that the laws do not allow a certain decision or action. Bureaucrats, on the other hand, to retain their position or receive a promotion try to ingratiate themselves with the government. Thus, the distinction between government and party is becoming increasingly blurred, while professional competence gets removed further from the set of criteria that is employed in recruitment and promotion. This is discouraging. After transition to competitive politics, it took decades to develop a professionally competent non-partisan bureaucracy responsive to the choices of an elected government. It would be regrettable if the country returns after such a long time back to the drawing board. Furthermore, rendering the bureaucracy partisan generates unanticipated costs. Building permits issued by partisan bureaucrats to party supporters, allowing the latter to construct huge buildings in river beds and the low level of competence they displayed in taking timely and appropriate measures led to major losses of life and property in a heavily flooded Istanbul during the week these lines were being written.

Insecurity as a political driving force

The AKP is a product of Turkish democracy. Why is it that a political party, itself a product of democracy, tries to undermine the order to which it owes its own rise? Several factors may be at work. To begin with, there is no question that there is an authoritarian streak in Mr. Erdoğan's personality. Many who have worked with him say that he does not like being objected to. His response to a press member who asks an unfriendly question is often a scolding. This trait produces a peculiar interpretation of democracy which equates winning

The current government must be given credit for trying to grab the bull by the horns on a number of problems that has haunted Turkish society but no previous government has chosen to tackle with such determination.

with unlimited exercise of power. Institutional checks, constitutional limits are seen as unfair impediments to "rightfully" gained power. In this way personal psychology and political philosophy are intertwined to generate a proclivity for authoritarianism.

Personal traits are hardly sufficient, however, to explain the challenges the government party poses for the political order. The AKP is the descendant of a current that has historically represented the underdogs and political outcasts. Suffice it to remember that the party came close to being closed down by the Constitutional Court as recently as last year. The university administrations, the courts and the military treated the sympathizers of religiously conservative parties as anti-regime cadres that should be kept out of government. Measures were initiated to deprive the graduates of the preacher training schools (many of them sympathizers of the AKP and its predecessors) from public service jobs. Now in power, there is a natural tendency to change the order to insure that the party will not suffer the same fate as its predecessors. There is also a tendency among some to take revenge.

It seems that the insecurity of the government, its fears that the existing arrangements continue to pose an existential threat to the survival of the party, the sense that the constituencies of the party have been denied their rightful place in society, the longing for an environment in which religiously conservative people feel more at home come together to add a anti-system flavor to the AKP. Such an outlook may also help explain why the government has been more sensitive to the needs and requests of the non-Muslim populations in Turkey.

Local elections: The turning of the tide

The victory of the government party in July 2007 elections and the inability of the opposition to improve its electoral standing appear to have produced a vision in the prime minister's mind that no place should be left for the opposition to claim as its stronghold. For the major opposition, the Republican People's Party (CHP), parts of the Aegean and Thrace, cities like İzmir, Çanakkale and Edirne are strongholds. For the minor opposition, Nationalist Action (MHP), some towns in Central and Western Anatolia have usually proven loyal. For the ethnically oriented Democratic Society Party (DTP), support comes from the towns of Southeastern Turkey where sizable segments of the population are of Kurdish origin. In local elections, the attributes of a particular candidate may influence the outcome as much as his/her party label, but party affiliation still usually determines who wins.

The opportunity to test the PM's vision came with the local elections in March 2009. The AKP hoped in particular to prevail over the DTP in the Southeast and score some victories against the RPP in Western towns. To that end, the PM was actively involved in the campaign while public funds were generously expended to impress (!) voters. The results, however, failed to match the PM's expectations. The DTP expanding its support, won in places where it had not won before. CHP improved its electoral performance and seized the major town of Antalya from the AKP while retaining the prized metropolis of Izmir. Although the government party emerged victorious, it failed to outdo the results of the 2007 national elections. In the elections for provincial assemblies in which all voters take part (municipal elections include only voters from incorporated areas) the AKP got 38.8 %, the CHP 23.1 %, the MHP 16.1 % and the DTP 5.7 %. The image of the PM as the ever rising star and the party as being invincible were dented.

Cabinet change

The outcome of the elections gave the PM the opportunity to make cabinet changes. There were many previous rumors that a major cabinet revision was about to take place but nothing had happened. Turkish prime ministers are reluctant to make cabinet changes because these are unsettling. High turnover rates of deputies and the absence of opportunities for MPs to prove their administrative talents mean that there is no identifiable pool of ministrables. All deputies of government parties, therefore, fancy themselves to be ministrable. They get upset when they are passed over in favor of another colleague whose qualifications are similar. In Mr. Erdoğan's case, reluctance to make cabinet changes is reinforced by his strong sense of loyalty to political comrades even when they may not be discharging their ministerial duties well. Hence, while a cabinet revision was talked about, no one could be sure when and how substantial.

The change came in May, a month after the elections. Eight ministers lost their portfolios while some were moved from one ministry to another. Mr. Ali Babacan left the foreign ministry to become the vice premier to take charge of economic affairs, a responsibility he had previously handled with success. The job of chief negotiator in Turkey's accession negotiations with the EU which Babacan also held was rendered into a separate portfolio and given to Egemen Bağış, a trusted friend of the PM. This change was seen to signal the determination of the government to resume emphasizing Turkey's EU membership.

A major change was the appointment of Prof. Ahmet Davutoğlu as foreign minister. Mr. Davutoğlu had been serving for a long time as foreign policy advisor to the PM. His expertise had made him very influential in the foreign policy process. Yet his position as advisor was also problematical. He was part of the policy team but not technically involved in the policy making mechanisms and bore no political responsibility. His appointment to ministerial position, departing from the general rule that cabinet ministers come from among members of the parliament, testified to his influence in the circle of the PM. His appointment brought an end to questions of who was really responsible for foreign policy.

The minister of state for economic affairs, Mehmet Şimşek became the Minister of Public Finance. The incumbent Kemal Unakıtan lost his portfolio. Mr. Unakıtan, noted for saying no to funding requests of deputies in humorous ways, had undergone heart surgery but he was back to work. His departure came as a surprise. An expected change was the appointment of Taner Yıldız to the Ministry of Energy and Natural Resources to replace Hilmi Güler. The outgoing minister, a charming gentleman, apparently experienced difficulty in getting things done.

Both Armenian and Turkish governments have come under great criticism from their unreconstructed nationalists for giving in to the other side.

Two final changes of note were the transfer of Nimet Çubukçu, Minister of State for women's and children's affairs to the Ministry of Education and the appointment of Sadullah Ergin the Minister of Justice to replace Cemil Çiçek who became a minister without portfolio. The outgoing minister of justice, Mr. Çiçek, had volunteered a number of public comments that made him sound as if he were a member of a radical nationalist party.

The Minister of Education Hüseyin Çelik was often criticized for bringing too much religion into the ministry. The new minister is a more moderate lady with urbanite and secular credentials.

The cabinet change did not prove to be unsettling for the party, owing to the indisputably commanding position of the PM. No further changes are anticipated.

Tackling the unsolvable problems

Problematical as some of its actions may be for the advancement of Turkish democracy, the current government must be given credit for trying to grab the bull by the horns on a number of problems that has haunted Turkish society but no previous government has chosen to tackle with such determination. Certain topics are simply political taboo. They generate stiff bureaucratic resistance. Governments talk about them but do not tackle them. A symbolic example is the fate of the late Turkish poet Nazım Hikmet who had escaped to the USSR after being sentenced for propagating communism. The council of ministers had taken away his citizenship back in the 1950s. A master of the Turkish language whose poetry is often more patriotic than communistic, Hikmet's work had come to be read widely as Turkey democratized. All governments agreed that posthumously, the citizenship of the grand poet should be given back, but none displayed the determination to do it until the AKP government.

Cyprus

There are three major problems that Turkish governments have chosen to ignore. The first, Cyprus, constituted the only one on which the government had previously acted by supporting the adoption of the Annan Plan. After the rejection of this plan by the Greek Cypriot side, Turkey has continued to support a negotiated settlement and negotiations are still going on. Turkey, on the other hand, has refused to open its ports and airports to Greek Cypriot vessels despite EU insistence. The EU has failed to deliver on its own commitments regarding the Turkish Republic of Northern Cyprus.

Armenia

The second problem is Turkey's non-relations with Armenia. After Armenia became independent, Turkey recognized it without initiating diplomatic relations for reasons deriving from the events during the First World War. While efforts were pursued to improve relations, they were halted after the Armenian invasion of more than a fifth of Azeri territory. The state of relations with Armenia has proven problematical for Turkey as it has for Armenia. The Armenian diaspora in many parts of the world, notably in the US, has been pushing for a congressional resolution to call the events of 1915 genocide. Turkey's lack of relations only helps cement a unified bloc between the diaspora and Armenia proper. Ailing relations is also a cause for complaint by the EU which insists that candidate countries should have good relations with their neighbors. Armenia, for its part, suffers significant economic hardships and is locked into a permanent state of insecurity.

The AKP government, in pursuit of zero problems with neighbors, has been looking for ways of improving relations with Armenia without damaging relations with Azerbaijan which expects Turkish to support for her efforts to liberate its territories from Armenian occupation. In the World Soccer Cup qualifying matches, Turkey and Armenia are in the same group. This provided an opening to initiate a process of improving relations. The first game was to be played on September 6, 2008 in Erevan. President Gül decided to go to the game, generating a sense of optimism that relations could move forward.

The initial Azeri reaction was muted. It became more pronounced as it began to appear that a process of negotiation was going on behind the scenes. To communicate his displeasure, Azeri President Ilham Aliyev chose not to attend the Meeting of Civilizations summit in Istanbul at the beginning of April, an affair at which President Obama would also be present. When later in the month, ongoing negotiations were formally announced, adding that an agreement on a roadmap had been reached, while Mr. Obama refrained from using "genocide" for the Armenian tragedy in his annual 24th of April Message, the Azeris cried betrayal. Mr. Erdoğan had to go personally to Baku to assure his Azeri brethren that Turkey would not initiate diplomatic relations and open the border until the Armenian forces withdrew from occupied lands. The process of rapprochement appeared to stall.

Far from the public eye, however, negotiations had continued. It also appears that, in all probability, these were being conducted simultaneously with the Azeri-Armenian negotiations under the auspices of the Minsk Group that aims at an Azeri-Armenian modus vivendi on Nagorno Karabakh. In mid-August, a surprise announcement came that Turkey and Armenia had agreed on a protocol to normalize their relations which they would eventually get through their parliaments. In this process, Armenia will acknowledge that the existing border is the border, a committee will be established to study what happened in history and diplomatic contacts will be initiated. The hope is that these developments will eventually lead to the opening of the border and exchange of ambassadors. While Nagorno Karabakh is not a part of the negotiations, the ongoing Armenian- Azerbaijan talks are expected to produce a result soon, removing the major barrier to the rapprochement. Apparently, in this second round, Turkey had managed its relations with Azerbaijan better as no threat of rupture has emerged.

Both Armenian and Turkish governments have come under great criticism from their unreconstructed nationalists for giving in to the other side. The Turkish government may be better placed to implement its promises with its comfortable parliamentary majority. The Armenian government has come under great pressure from the diaspora whose psychological needs to foster a hate object in order to retain its identity would be severely threatened by an accommodation between Armenia and Turkey. The good intentions may be there but no desired outcome is a foregone conclusion.

The Kurds

Turkey's third problem is the Kurdish question. The policy of the Turkish Republic for ethnic homogenization of the population has failed to transform citizens of Kurdish origin into ethnic Turks. Rather, combined with other factors like economic deprivation and unemployment, it has produced an ethnically based separatist terrorist movement, the PKK, and a string of political parties clamoring for Kurdish rights. Successive governments have acknowledged that there is a problem but have failed to develop a comprehensive plan of reform. The military, on the other hand, conceptualized the problem until recently solely as one of terrorism and therefore security. A shift of attitude on the part of the military that anti-terror and economic policies should be buttressed by social and cultural policies has facilitated the efforts of the government to initiate what is alternatively called the Kurdish or democratic opening.

What the opening entails has not been specified. The PM has asked the Minister of Interior Beşir Atalay to consult political parties and civic organizations. It is not clear whether there is already a government plan or grounds are being tested to see what is possible. The two main opposition parties have been singularly uncooperative. Otherwise, reactions have been mixed. The government, for example, has changed its vocabulary from "Kurdish" implying group rights to "democratic" referring to expansion of individual liberties in response to criticism. The government has generated a sense of anticipation in the country's Southeast. This may turn into bitter frustration if nothing comes out of the government's "opening" policies. A potential impasse needs to be addressed if progress is to be made. Currently, the

DTP is the only politically organized group that is capable of transmitting the expectations and the reactions of the Kurdish origin population. It gives the impression of being the political arm of the PKK. The military views the PKK simply as a terrorist organization and will not suspend operations against it. The opposition is not cooperating. This leaves the government to devise a program by itself, which may leave all parties disappointed and unhappy. Therefore, it is too early to venture a persuasive sense of optimism at this stage.

Repairing the damage: The Obama visit

Turkish-American Relations hit a historical low during the Bush administration owing to the American invasion of Iraq. A GMF poll showed that Turks like the US least in the world. Yet Turkey occupies a critical place in American concerns including the stability of Iraq, the security of Israel, the prosperity of the Caucasus, the safety of energy shipments from the Caucasus and Central Asia. Taking office, Mr. Obama, quickly recognized that relations had to be improved and included Turkey as a priority on his first European visit. The trip was carefully planned to respect Turkish sensitivities. For example, it was part of a European trip, not the Middle East. He would not deliver his major speech to the world of Islam in Turkey. Opinion polls indicate positive feelings toward the US and its president have begun to rise. Yet, there are thorny issues. Mr. Obama thinks that the Armenian experience may be termed genocide, but abstains from using the word in anticipation of improvement in Turkish-Armenian relations. If he fails to restrain the Congress from passing a genocide resolution, this would produce immediate crisis in the relations.

In the Caucasus and the Black Sea, Turkey is more responsive to Russian sensitivities than the US which harbors potential rifts on security questions in the Caucasus. Turkey's interest in cooperation with Iran runs counter to American policy. Yet, there are too many common interests. Both countries have a stake in helping build and sustain a unified, peaceful and prosperous Iraq. They are committed to fighting terror in Afghanistan. They desire peaceful conclusion of the Arab-Israeli conflict. They are agreed that Turkey should become a major energy corridor for gas and oil from the Caucasus and Central Asia. The US has been a staunch supporter of Turkey's membership in the EU. The US provides actionable intelligence for military operations against PKK.

Turkey's efforts to resolve conflicts in the region by peaceful means, its willingness to contribute to peace building and keeping operations in Palestine and more recently in Lebanon are in full harmony with American interests. Obama's trip was testimony that the relationship is valued by both parties. The partnership will continue to travel on a rocky road but will hold together.

Concluding remarks

Last year's article was named "War at Home, Peace Abroad", This year's might well have been named the same. But, there has been a critical turn of events in the domestic battle as the government has given sufficient reason to fear that it is headed for increasing authoritarianism. It is with concern therefore that the future of Turkish democracy must be observed.

İlter Turan *is Professor of Politicial Science at Istanbul Bilgi University*

A shift of attitude on the part of the military that anti-terror and economic policies should be buttressed by social and cultural policies has facilitated the efforts of the government to initiate what is alternatively called the Kurdish or democratic opening.

The Turkish Economy and the Global Crisis:

SOME THOUGHTS ON THE IMPACT, POLICY RESPONSE, AND THE WAY FORWARD

Murat Üçer

Since my last article published in this journal *(Time to Show Mettle and Leadership, Autumn 2008)*, two important developments have taken place. The global economic crisis deepened, along with its impact on the Turkish economy. In turn, rather than "showing mettle and leadership" to restart a reform drive, Turkey's political leadership has, more or less, neglected the economy. It is only recently -at the time of the writing of this article in mid-September- that the government managed to announce its long overdue Medium-Term Program (MTP) that maps an economic baseline for Turkey's next three years.

Medium Term Macro Framework

	2008	2009f	2010f	2011f	2012f
GDP Growth (%)	0.9	-6.0	3.5	4.0	5.0
CPI Inflation (end of period; %)	10.1	5.9	5.3	4.9	4.8
Current Account balance (billion $)	-41.5	-11.0	-18.0	-22.0	-28.0
Current Account balance (as % of GDP)	-5.7	-1.8	-2.8	-3.3	-3.9
Central Government Budget (as % of GDP)					
Budget Balance	-1.8	-6.6	-4.9	-4.0	-3.2
Primary Balance (IMF Defined)	-1.9	-2.2	-0.8	-0.2	0.4
General Government Gross Debt Stock (as % of GDP)	39.5	47.3	49.0	48.8	47.8

Source: *State Planning Organization*

No matter how belated, the MTP should be commended for its realism -- for instance, it now sees the economy shrinking by 6% this year before recovering modestly in 2010 (see table) - and for publicly-sharing the general outlines of the government's reform agenda. Yet, the document also leaves a fair amount of critical questions unanswered. Most notable among these are whether the planned fiscal adjustment will be sufficient to stabilize the debt-to-GDP ratio; whether reforms laid out in the plan, including that of a 'fiscal rule', will be earnestly followed through; and more generally, whether Turkey could indeed "go solo" in 2010, i.e. without IMF guidance and money, but still experience solid recovery. With these questions in mind, this article offers some thoughts on the impact of the global crisis on Turkey, explores how the policy response might have helped to mitigate it, and reflects on the year ahead.

On the first issue, as far as the crisis impact is concerned, the Turkish economy will likely end this year as one of the most affected economies. GDP will be shrinking something on the order of 5.5%-6%, which is one of the highest drops in major economies.

Why did this happen, given the reasonably favorable initial conditions such as a strong and well-capitalized banking sector, lesser reliance on global demand compared to, say, Asian economies, relative political stability and a track record of sound policies?

One can only speculate, but I think "animal spirits" going awry -because of heightened economic uncertainty-- and reduced access to external financing, go some ways toward answering the question. Basically, we like to consume and invest in good times, but tend to worry relatively quickly

Instead, 2010 could be a difficult year because global recovery may not be that robust, external financing may not be easy to come by, and the markets' faith in the government's ability to go solo could be shaken sometime down the road.

and postpone our spending plans, when uncertainty increases and access to external finance dwindles.

Put differently, I think the collapse in global trade was an important contributor as well, but with exports-to-GDP ratio at around 20%, the main driver of the shrinkage was the sharp decline in "private absorption" (i.e. private consumption and investment), rather than foreign demand.

One piece of evidence for this is provided by the massive drop in private investment, which has contributed 7 pp out of some 10% (y/y) contraction in GDP during 2009H1. Private consumption was somewhat more resilient, but that, too, was significantly held back, when uncertainty rose and the labor market weakened. Interestingly, all this has happened when other components of demand, net exports (i.e. exports less imports) and government consumption and investment, made positive contributions to growth since Q4 of last year.

All this being said, I should also draw attention to a paradox of sorts. True, in some clearly quantifiable ways such as growth and unemployment, Turkey is experiencing a deeper crisis in comparison with most of its peers, and its own crisis of 2001. But at the same time, there is something less dramatic about this crisis. To those who observe the everyday life in the country there is a sense of "business as usual," especially in large metropolises such as Istanbul. Life has slowed, but nothing like it had in the aftermath of the 2001 crisis. That, I think, is related, at least partly, to the massive fiscal and monetary stimulus that has been put in place.

Let me begin with fiscal policy, where the stimulus has been most dramatic. Since 2007, the non-interest expenditures of the central government - the best indicator of fiscal

CHART 1

Selected Countries: GDP Growth (2009 forecast)

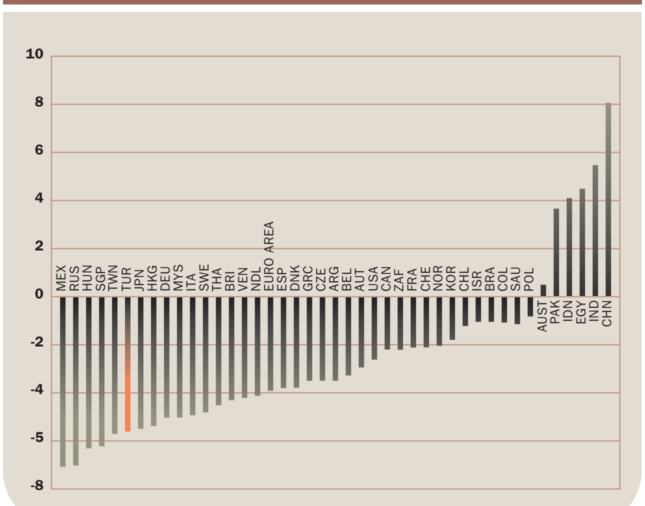


CHART 2

Corporate Sector Rollover Ratio and Consumer Confidence Index
(3 monts moving average)

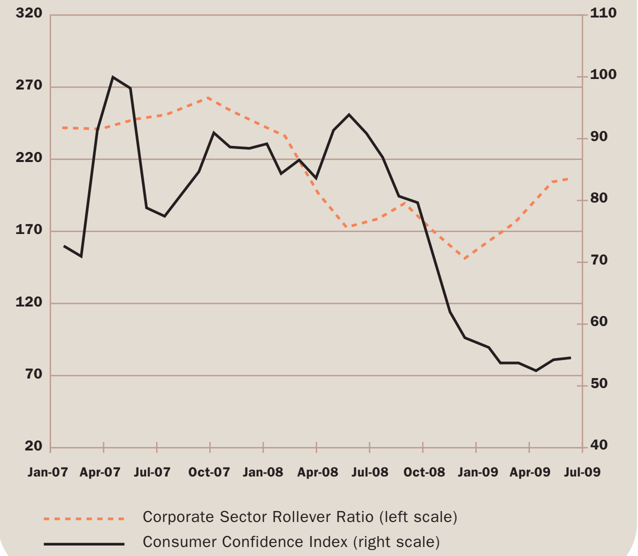
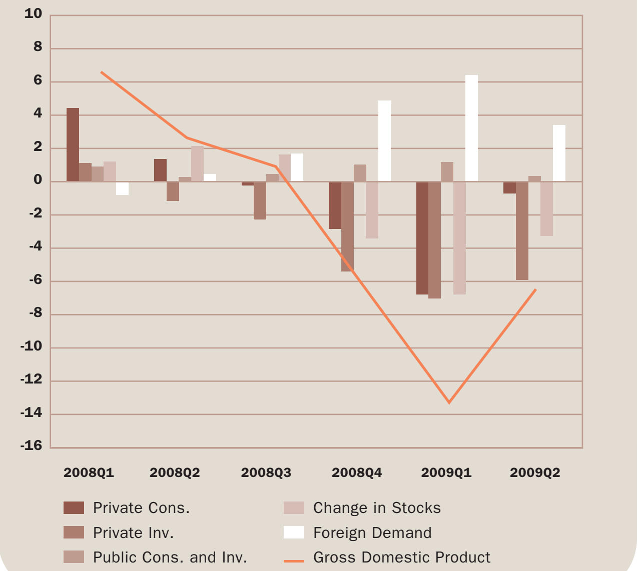


CHART 3

Sources of Growth
(1998 prices, as % of preceding period's GDP)



expansion in my view - have increased to some 22% of GDP from 17%. The increase was primarily driven by transfers, notably health and social security. Expenditures by local governments also contributed substantially to the expansion. Put differently, Turkey's non-interest balance is estimated to have gone from a surplus of some 5% of GDP around early 2007, to a deficit of over 2% this year, which corresponds to a stimulus, discretionary and otherwise, on the order of TL40 billion.

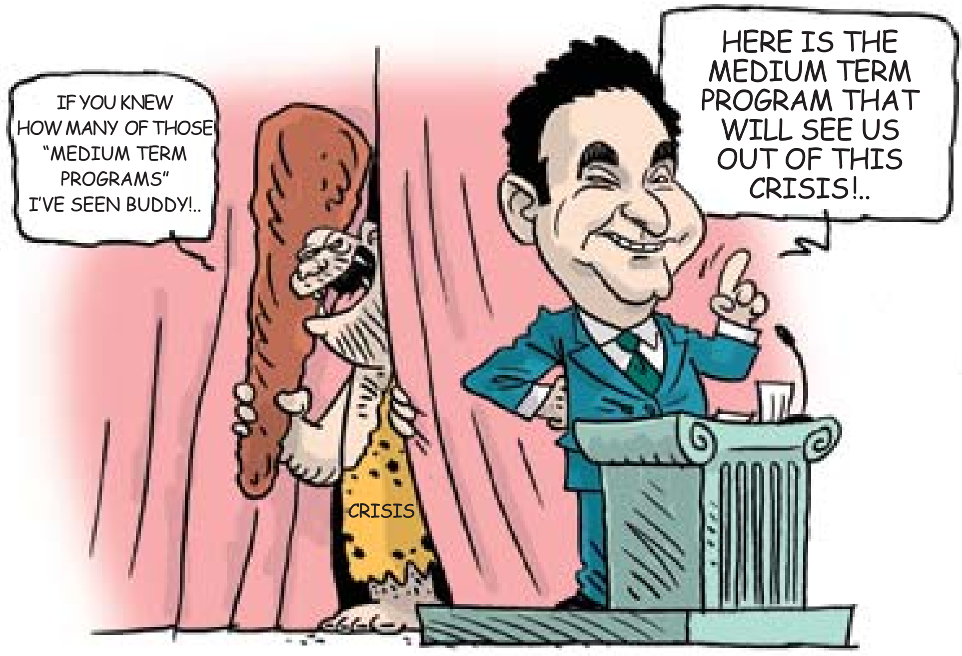
This has helped to keep many people content, especially those in the low-to-middle income groups, conspicuously improving their access to basic services.

Apart from this, two of the most powerful interest groups in the country -- banks and exporters - did not feel as much pain in this crisis, partly owing to the very accommodating policies of the Central Bank. In many ways, the latter is a sign of the times: in response to the crisis, central banks around the world were able to ease monetary policy quite dramatically, without worrying much over inflation, thanks to the huge slack in global capacity. The Central Bank of Turkey was among the most aggressive, driving the real policy rate to near zero.

Combined with tighter external financing conditions, this led to a weakening in the lira, while bond markets rallied thanks to the prospect of lower funding rates, i.e. the two markets (and the corresponding asset prices) "decoupled" probably for the first time in Turkish history. True, foreign demand collapsed but with global trade relatively recovering, exporters got to operate at a more favorable (weaker) exchange rate, especially in euro-terms. As for banks, not only did they enter the storm well-prepared -- they had no toxic exposure, extreme leverage or open F/X positions -- but also, their strategy of cutting down credit and shifting portfolios towards bonds because of heightened risk perception on the former, proved very lucrative. Bond rates collapsed to under 10%, from over 20% since September last year.

Of course, expansionary financial policies are not the only reason why complaints have been more muted. This time, Turkey got caught in the storm after several years of strong growth, with GDP per capita almost 30% higher in real TL terms, than in 2000. There is also the business of "lags" -- there is no doubt that several companies suffered and are continuing to suffer, but several blue-chips entered the crisis relatively cash-rich, while many others have drawn on their stash abroad, betting on a recovery down the road. This, in my view, explains a good part of the "unidentified inflows" into the country since late last year (more on this below).

But this resilience should not be a reason for complacency. Unless recovery turns out to be strong, we could see a lot of the troubles resurfacing again next year. And this is the question I must now to turn to: what are the prospects for



the Turkish economy? What should we expect from 2010? As this article was being written, optimism was abundant. The economy shrank by 7% in Q2 (y/y) but markets preferred to focus on the fact that this was markedly better than Q1, and in seasonally-adjusted terms, the economy had in fact bounced back significantly over the previous quarter. Local markets continued to rally, in tandem with global markets, as the world started to come out of "the worst recession since the 1930s". The government's MTP saw the economy growing by 3.5% next year even in an "IMF-less" scenario, and judging from their muted reaction, it looked as though markets were just fine with that assumption.

Personally I remain quite skeptical that this sort of optimism can be sustained through the whole of 2010. I think we are counting a bit too much on the global recovery, while giving too much credence to the MTP that the fiscal adjustment laid out there will be sufficient to stabilize the debt-to-GDP ratio. Instead, 2010 could be a difficult year because global recovery may not be that robust, external financing may not be easy to come by, and the markets' faith in the government's ability to go solo could be shaken sometime down the road. A new game plan that counts less on luck, and more on bold action and political resolve may then be needed.

Why such skepticism? Let me start with fiscal policy. My main concern is that the adjustment path foreseen in the MTP is a bit too gradual, too devoid of ambitious goals, and is based on optimistic assumptions. For instance, it sees this year's non-interest deficit for the overall public sector swinging to a surplus of some 1% of GDP by 2012, but it is doubtful this will be sufficient to stabilize the debt-to-

The program must be very clear in its priorities and the paradigm that it subscribes to. Lack of prioritization and intellectual clarity hurts credibility, making the whole program look no different than a hastily assembled shopping list.

CHART 4

Central Government Primary Balance (12-mont rolling; TL billion)

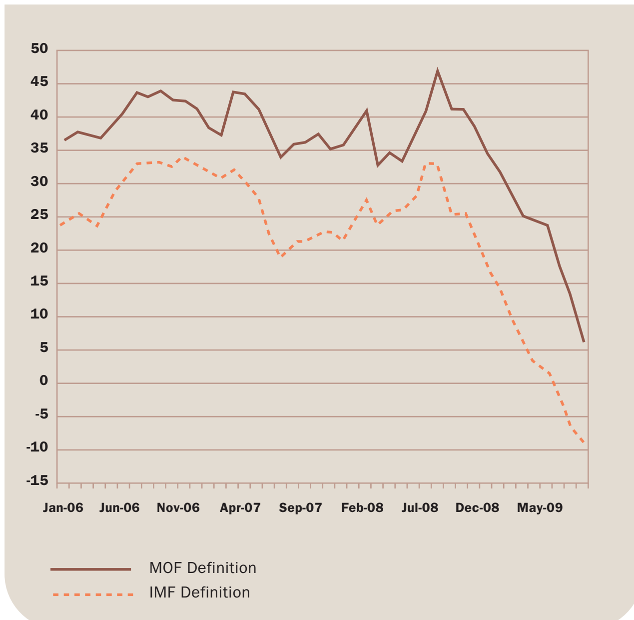


CHART 5

Real Policy Rate
(%)

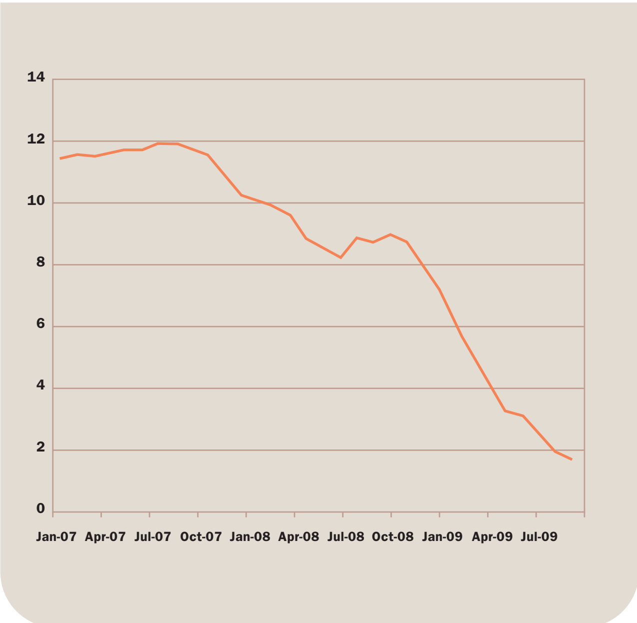
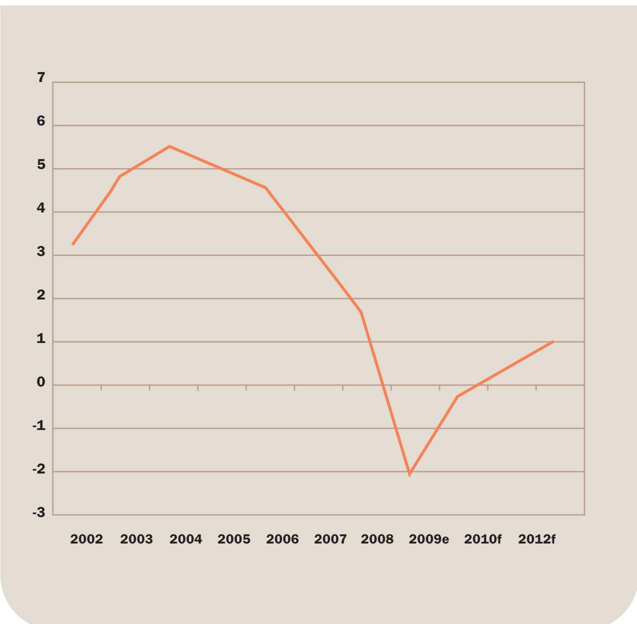


CHART 6

Primary Balance: IMF-Defined Public Sector
(as% of GDP)



GDP ratio in all but the most benign scenarios.

Moreover, the swing relies too much on stepped up tax collections thanks to economic recovery, and much less on expenditure curbs -- and hence, even a 1% surplus may not materialize, if tax collections do not improve. Technically, emerging market economies in Turkey's position, with relatively vulnerable balance sheets and weak fiscal institutions, are better off sticking to a higher primary surplus than the 1% of GDP envisaged in the program. This is needed to be prepared for adverse scenarios, whereby the real interest rate could exceed the real growth rate significantly. An inability to reverse the debt-to-GDP ratio in a convincing manner is sure to worry the markets at some point, raising interest rates, and hence creating a vicious cycle of sorts, with lower growth and lower tax collections.

This is exactly why a "fiscal rule", which the MTP promises will be introduced in 2011, is so important. In essence, a fiscal rule is to fiscal policy what central bank independence is to monetary policy: it creates a commitment mechanism to insulate policy from political influences, and reduces the risk of the government reneging on its promises. The good news is that the government seems to be giving it top priority. The bad news is that there is no good reason why it shouldn't have been adopted already. True, the past few years were difficult with twin elections and global crises, but there is no guarantee that the future will necessarily be a lot better. In fact, I fear that one reason for the delay could be that the political leadership is not yet ready to give up its fiscal discretion through a tight and transparent fiscal rule, which leaves us wondering whether it ever will be.

A second area of concern -- and on which the MTP is somewhat ambiguous -- is external financing. Turkey's balance of payments - the record of its transactions with the rest of the world -- looked very strange in the past several months. In the 6 months from October through March for instance, the deficit in the combined current and capital accounts was around $18 billion. This was financed by a drawdown in central bank reserves and through unidentified inflows. The good news is that the BOP was somehow balanced - otherwise, the lira could have come under much greater pressure. The bad news is that this is not how a BOP is supposed to look, and what we've seen in the past several months is hardly sustainable. At some point, a reasonably large current account deficit should be financeable with healthy, broad-based inflows like FDI, portfolio, private sector borrowing, and so on, as it's been the case until the crisis.

But while not entirely hopeless, securing this sort of broad-based financing is no trivial business in the current global environment. Let us give some figures to highlight the point. The government forecasts a current account deficit of some $20 billion for 2010, which adds up to a

After the lost year of 2009, in which the economy will contract by 6% just as officially forecast, I think 2010 is probably going to be a year of bounce-back, more than durable recovery.

financing requirement of some $90 billion, combined with around $40 billion in medium-to-long term debt and some $30 billion in short-term debt servicing. While Turkey has fetched a lot more financing than this in the past, it may have some difficulty in drawing it in an "IMF-less" scenario with relatively weak policy anchors and modest fiscal adjustment. Of course, one could hope that Turkey would learn to grow without needing as much external financing, but that is a difficult transformation that has no quick fix, and cannot be achieved overnight. For that, speeding up the reforms targeted at enhancing the economy's "total factor productivity" is necessary but unfortunately, as in previous policy documents, the government's MTP provides more of a wish-list than a detailed road map on reforms. Better prioritization, more details and a time-bound action plan are needed.

Exactly because it would be instrumental in facilitating these multiple objectives, i.e. a credible fiscal adjustment, smoother access to external financing, a well-prioritized reform drive, and return to high and sustainable growth, an IMF program would have come handy. I am pretty sure technocrats in Ankara see these challenges as plainly as I do, and will genuinely try their best to put Turkey on a sustainable, high growth trajectory. Then again, it is hard not to be somewhat skeptical, given the recent fiscal record, lack of a detailed road map on reforms, and a tough political calendar ahead, with general elections (of July 2011) approaching.

Where does all this leave us? After the lost year of 2009, in which the economy will contract by 6% just as officially forecast, I think 2010 is probably going to be a year of bounce-back, more than durable recovery. This is in contrast to what the markets as well as the government seemed to be hoping at the time of this writing. I think that a true recovery would require a very strong global economy and/or an IMF program, and that without these the economy will continue to dither through 2010 and beyond. This, I fear, poses the risk of throwing the Turkish economy into a vicious cycle of further deviating from policy discipline and being stuck in low-growth equilibrium.

Murat Üçer
Global Source Advisor for Turkey and adjunct faculty at Koç University

EUROPE AND TURKEY

CHALLENGES FOR THE 21ST CENTURY

Bahadır Kaleağası

Turkey's EU accession perspective may be perceived as sputtering at a snail's pace due to a slowdown of reforms in Turkey and hostility from France and Cyprus. In an era of rising regional instability and global challenges, the decline in the momentum is a net loss for Turkey and Europe at precisely the moment when integration should be strengthened, not weakened. The end result is a strategic vacuum that harms common European interests on current and forthcoming challenges, whether political, economic or social.

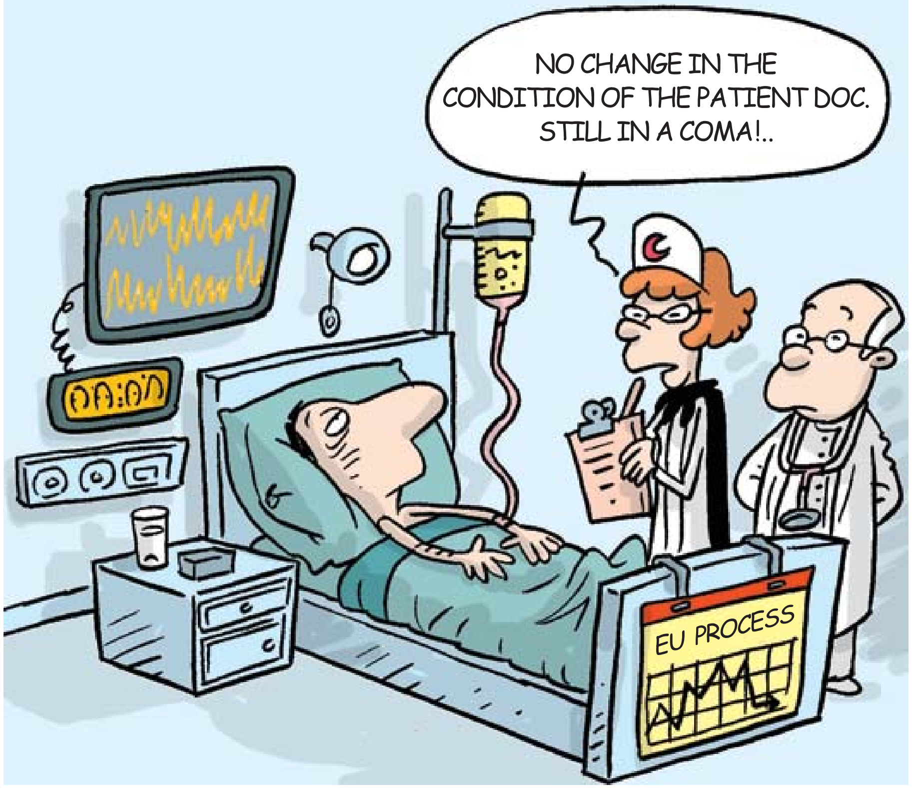
Globalization is steaming ahead at an ever faster rate facilitating the transnational exchange of goods, services, capital, people, knowledge and social contacts around the world. It has also made easier the movement of disinformation, digital and biological viruses, nuclear technologies, organized crime, terrorism, economic shock waves and climate change. In the midst of international challenges and the ongoing economic crisis stands one of the prime examples of the virtues of global integration: Turkey's desire to embrace the liberal, social and democratic values of the European Union. No other example demonstrates so vividly the tantalizing convergence of western liberalism, Eurasian heritage and global trends as does the Turkish membership in the EU. Yet, this historic process of enlargement is suffering from relative inertia and tangible obstacles.

Europe's credibility

Politicians of different ideological persuasions such as former French President Jacques Chirac, President of the European Commission José Manuel Barroso, British Prime Minister Gordon Brown, Spanish Prime Minister Jose Luis Rodriguez Zapatero and Swedish Foreign Minister Carl Bildt have recently underlined the increasing importance of Turkey's role in the world and in Europe: "A Turkey which will be fulfilling the criteria of membership will bring to the EU the critical size that it needs to face the global challenges of the twenty-first century".

In many ways, Turkey has seized upon the opportunities of membership to realize this vision. Turkey grew fast between

Should the current peace negotiations in Cyprus, widely considered to be the last chance for a settlement, fail to produce results by the beginning of 2010, the EU-Turkey relations could be further derailed.



2002 and 2007, entrenched its democracy, invested significantly to create a modern infrastructure, and developed active policies in the fields of energy, security, and new technologies. Nevertheless, in the last three years, its gumption for radical reforms has fallen progressively into stagnation in direct proportion to the proliferation of Turkey-skeptic rhetoric from France, Germany and Austria. In some cases this rhetoric has gone beyond the limits of skepticism, flirting with different tones of xenophobia and turcophobia, in obvious contradiction with the values that the European Union claims to cherish in the 21st century. Complicating matters is the fact that public opinion in Turkey has become more sensitive to negative voices than to positive ones. An increasingly euro-sceptical mood suffused with nationalist sentiments has been the unfortunate corollary of this trend.

Aggravating the Turkish public's deepening antipathy to accession is the EU's inability to keep its promises on Cyprus that, in turn, severely damaged pro-European forces in Turkey. Turkey also had been suffering from its own mistakes. In the last two decades Ankara failed to seize the right moment to be proactive on Cyprus. When finally the EU asked Turkey to encourage a settlement to the Cyprus dispute by supporting the UN peace initiative, Turkey obliged. The referendums held in 2004 simultaneously in both the north and the south of the island exhibit Turkish Cypriots irrefutable accord for the UN initiative, for reunification and for Europe. However, in an abrupt and calculated change of mind, the Greek Cypriot leadership pushed for a no-vote that resulted in the accession of a divided Cyprus to the EU. The economic isolation of the Turkish Cypriots continued and eventually a partial suspension of membership negotiations between Turkey and the EU took place.

Transatlantic relationship and Turkey

Turkey's constructive role as an exporter of Western security polices towards the Mediterranean, the Black Sea, the Caucasus and the Middle East has also been enhanced considerably in the last decade. In the consolidation of the French President Sarkozy's Union for the Mediterranean project, pacification of the Russo-Georgian conflict, the mediation of indirect talks between Israel and Syria and the Lebanese-Syrian confidence-building initiatives Turkey intervened as a regional and European power. Turkish President Abdullah Gül's historic visit to Armenia in September last year also opened a larger room for maneuver for Turkey's external relations in a region marked not only by military confrontation, but also considerable economic interests. Another success of Turkish diplomacy was to receive overwhelming support (151 votes out of 193) from member countries to get elected to the UN Security Council from the contingent allocated to the European continent. Turkey will almost be fully integrated into the EU's foreign policy sphere provided that an eventual political settlement between the Greek Cypriot and Turkish Cypriot communities is attained. Should the current peace negotiations in Cyprus, widely considered to be the last chance for a settlement, fail to produce results by the beginning of 2010, the EU-Turkey relations could be further derailed. Hopes for a Cypriot settlement would then become a distant mirage.

Notwithstanding recent diplomatic achievements, Turkey's foreign policy encountered some conspicuous challenges of late, notably the collapse of Israeli-Syrian "indirect" peace talks following Israel's military operations in Gaza and the near standstill in the movement towards resolution of the Azeri-Armenian conflict over the enclave of Nagorno-Karabakh. Lack of any credible movement is undermining efforts for the normalization of relations between Turkey and landlocked Armenia and destabilizing an already volatile southern Caucasus. Ironically, the EU's half-hearted, if at times, apprehensive attitude to Turkish accession may have complicated tentative steps to bilateral reconciliation by placing Turkey in the tortuous position of balancing between gas and oil-rich Azerbaijan and resource-poor Armenia. Naturally, the delicate balancing act appears impossible as Turkey has to secure gas supplies for the putative Central Asia-to-Austria Nabucco pipeline intended to diversify EU energy supplies without the assurances of EU membership.

During his visit to Turkey in April, US President Barack Obama clearly recognized the strategic benefits of Turkey's quest for the EU and for the reinvigoration of the transatlantic relationship. It is now time for the US to elaborate a more analytical support for Turkey's integration with Europe not only as a target but also as a process. This implies going beyond the rhetoric on the "geo-strategic importance of Turkey" and investing more in the fields of integration such as trade, energy, technology, ecology...

The eventual institutional development of the US-EU relations will also bring a new dimension to Turkey's European integration process. There is already a significant degree of cooperation between the administrations and the business communities of both sides, with the bilateral summits and Transatlantic Business Dialogue (TBD). In turn, the Turkish business community represented by TUSIAD (Turkish Industry&Business Association) follows closely these developments as a member of the Confederation of European Business (BUSINESSEUROPE). These business-to-business links should come as no surprise as Turkey is part of the EU's customs union and is progressively adopting EU legislation that covers almost all segments of economic life. More than ever, Turkey's accession to the EU would strengthen the transatlantic relationship to counteract the economic and political risk factors in and around Europe.

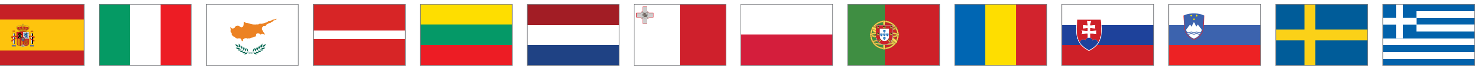
> The contribution of EU membership to Turkey's relationships with other parts of the world and the social development dimension are the main features of a much-needed communication effort at the domestic level.

Turkey needs to move faster

Irrespective of the difficulties on the EU side, it is incumbent on Ankara to focus more attentively on the implementation of a comprehensive program of structural reforms. A new impetus towards EU membership requires political will, talent and action in three essential areas:

1. **State reform**

In the last decades, the Turkish society and the world have changed fundamentally whereas the state apparatus and system have remained wedded to the past. Thus, the public sector needs to overhaul recruitment and training policies, push for



the cross-sharing of knowledge among the institutions and for cooperation with civil society. It must adopt a bureaucratic mindset based on a citizens-oriented service ethic and implement quickly a state reform focused on the coherent implementation of the EU legislation.

2. Membership strategy

The so-called "EU requirements", such as cultural freedoms, judicial reform, clean air, food safety, transportation and social rights are first and foremost the fundamental characteristics of a modern country and of a welfare society. The Turkish political establishment ought to understand that these are the sources of national interest and global competitiveness. In defining Turkey's negotiation strategy, the aim to adapt to the EU's future and not to its present should also be emphasized clearly. There are many examples of legislation which create problems or which are nonfunctional within the EU. The EU Commission itself simplifies the legislation under the heading of 'better regulation'. Moreover, the institutional dimension alone is not enough. A comprehensive reform of the educational system targeting the formation of a more creative, innovative and cosmopolitan human capital is vital. Turkey should also engage in a movement of reforms in other fundamental fields such as labor market, informal economy, information society, energy resources, regional development, women's rights, agriculture.

3. Communication

The contribution of EU membership to Turkey's relationships with other parts of the world and the social development dimension are the main features of a much-needed communication effort at the domestic level. It is also time for Turkey to finally mobilize its resources for a creative external communication strategy.

Will Europe be ready?

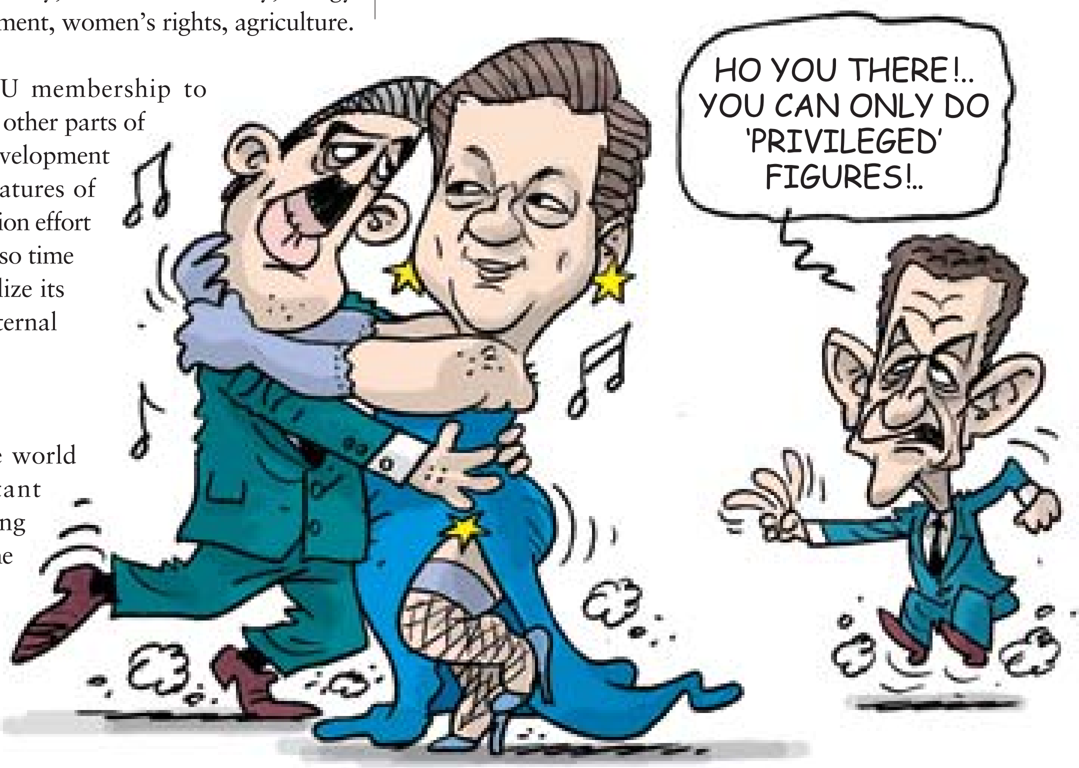
Turkey, Europe and the world will experience important changes in the forthcoming period. In this perspective, the EU itself has the challenge of enhancing its global economic competitiveness, institutional efficiency, political integrity and democratic credibility. Only this kind of EU can continue to have its appeal for Turkey. Because only such an EU can maintain its position as an important economic and political player in the 21^{st} century.

The logos of the fundamental policy initiatives on the home page of the EU's official Europa web site are meaningful:

- Financial and Economic Crisis
- Year of Creativity and Innovation
- Debate on Europe,
- Energy for a Changing World
- Economic Growth and Employment

All of these are also the areas in which Turkey can and will provide important additional value to Europe. Turkey - having completed its homework for EU membership - would mean much more economic dynamism, creativity, security, ecological wealth, historical heritage and energy for Europe. There is a clear three-way win-win-win formula here: for Turkey, Europe and the World.

****Dr Bahadır Kaleağası** is the International Coordinator of TUSIAD (Turkish Industry&Business Association) and Reprsentative for the EU in Brussels. He is also the author of several articles and books on the international relations, commentator for the Turkish media and adviser for several international projects.*



THE MAKING OF A REGIONAL NOT "ISLAMIST" POWER

Semih İdiz

A slew of recent articles have questioned whether there is a fundamental change in Turkey's foreign policy orientation. Those who look at Ankara's new engagements with Middle Eastern and Islamic countries, and combine this with the openly "pro-Islamic" parlance adopted by Prime Minister Recep Tayyip Erdoğan on specific issues express their concern. The suggestion is that Turkey is gradually turning its back on the West and veering more and more towards the Islamic East.

Neither is this something that is being speculated about only in the West. Turkey's hard line secularists are also of the opinion that the Erdoğan government is changing the country's traditional Kemalist orientation towards the West, and gradually shifting it towards the East.

This is anathema for the Kemalist camp, although it must be said that this camp has done little in recent years to anchor Turkey firmly in the West. Ironically it has even made the amazing claim that the ruling Justice and Development Party's (AKP) pursuit of EU membership is "part of the ploy to Islamize Turkey." This in turn has brought this camp in line with anti western nationalists, if not hard core Islamists.

The logic here is that the AKP is aiming to reach its Islamist goals by abusing Western freedoms, particularly the freedom of conscience. The implication is that once this party has gotten what it needs out of the EU membership process, it will turn on it and pull out its "hidden agenda".

In the meantime, the Kemalist camp has also resorted to its traditional accusation that the West is ultimately out to destroy Turkey, and hence its support for the AKP. Thus the very camp that is now expressing concern that Turkey is losing its Western orientation has also been the camp that has fuelled traditional fears about the West, and seriously contributed to the rise of anti-Western sentiments among Turks.

This is indeed very confusing and part of the blame for all this confusion has to go to the AKP itself, and particularly to Prime Minister Erdoğan. On several occasions, Mr. Erdoğan added grist to the mill of those who argue that Turkey is changing direction. He frequently and openly went against the grain of Turkey's traditional foreign policy conduct in ways that did nothing but stoke the arguments about Turkey's new orientation. I will give examples of this further on, but at this point that any analysis of Ankara's new directions in foreign policy has to be approached from a much broader perspective.

Elements of a new profile in foreign policy

That perspective has to consider facts such as the growing importance of Turkey for the West, as a secular but predominantly Muslim country that is democratic and which aspires to becoming a member of the EU one day. There is also the changed international landscape since the end of the Cold War. One must keep in mind the fact that the major crises faced by the West since then, be they in the Middle

East, the Balkans or the Caucasus, have all been played out on Turkey's doorsteps.

One could argue on the basis of this that any government in power in Ankara would have had to confront the same issues that the AKP is confronting. It is more than likely that the solutions they came up with would not have been much different than what we have today.

A case in point are recent remarks by Syrian President Bashar El Assad. The Syrian President told two of Turkey's leading journalists that the architect of the rapprochement between Ankara and Damascus, after a decade of tension in ties, was in fact former President Ahmet Necdet Sezer. President Sezer, of course, was a staunch secularist who during his tenure was the nemesis of the AKP.

It can be said, therefore, that Ankara is not changing its Western orientation in foreign policy, but expanding the range of its options and giving more importance to those regions that it has hitherto neglected. It is also odd of course, that the countries that have been neglected the most should be the ones bordering Turkey.

One can also argue that much of the change that has come about in this respect is the product of necessity more than invention. Put another way, Turkey's foreign policy for decades was uni-dimensional and overtly oriented towards the West. It was also overly cautious, and based on a "let's not rock the boat unnecessarily" mentality. In short it was a "reactive", rather than a "proactive" policy.

This was not just the result of the orientation that Mustafa Kemal and his friends chose for Turkey when founding the Republic. It was also the result of the Cold War, during which the Soviet Union was considered as much a threat by Turkey, as it was by any other country in the Western camp. In fact, since Turkey shared a long land and sea border with the Soviet Union perhaps even more so.

But the collapse of the Soviet Union, while diminishing the threat from the north, left Turkey facing new problems in its region, particularly with the emergence of newly independent states. It was also clear that the traditionally cautious approach to foreign policy by Ankara did not fit the occasion anymore. Turkey needed a more dynamic approach to regional, as well as global issues; one that utilized its natural advantages that come from being a predominantly Muslim but a systemically Western country.

Beyond Israel and Iran

It is this frenzied diplomatic activity by Ankara, borne out of necessity, which has been attracting international attention now and resulting in speculation about where Turkey is headed. It is interesting to note, in this context, that commentary in the West that suggests Ankara is moving towards the East is selectively based on two specific topics.

These are Turkey's ties with Israel and with Iran. These appear to be the litmus tests for those who claim to see a change in orientation by Ankara. Turkey's strong criticism

of Israel - with which it has been enjoying strategic ties - over the treatment of the Palestinians, and its continuing close ties with Iran are seen as indications that Turkish foreign policy is being "Islamized" by the present government.

But this point of view overlooks the other diplomatic initiatives by Ankara that have little to do with "Islamic solidarity". And these other openings have not gone unnoticed by the international community either. Turkey has in fact attracted much positive international attention over the diplomatic initiatives it has launched with a view to securing what might be termed "a belt of friendship and cooperation" around itself.

It is well worth remembering in this context that out of the eight countries that Turkey has land borders with, four are predominantly Christian. Armenia is the only neighbor with which ties are still strained. Ankara's recent initiative aimed at normalizing relations with Yerevan deserves as much, if not more, attention as its developing ties with a predominantly Muslim country such as Syria which is officially a staunchly secular authoritarian state. In fact the would-be soulmates of the AKP in Syrian politics, the Muslim Brotherhood, has long been suppressed by the Baathi regime.

Its efforts to build a new relation with, for example, Serbia - strained to the breaking point during the Bosnian War due to diametrically opposed sympathies - has received less notice than it deserves by those who argue Ankara is "Islamizing" its foreign policy. However, the fact is that Turkey today has good ties with Bulgaria and Greece, its two Balkan neighbors with which it had great problems in the past.

This overall drive by Ankara ties in neatly of course, with the "zero problems with neighbors" policy formulated by Turkey's seemingly tireless Foreign Minister Prof. Ahmet Davutoğlu, who was appointed as Turkey's "foreign policy supremo" last May, amidst much international interest. Professor Davutoğlu did not come out of the blue, though, since he was already Prime Minister Erdoğan's chief foreign policy advisor. For many observers of Turkish foreign policy he was in fact the real foreign minister during the second AKP government, even if he remained in the background. Therefore he had a hand in directing Turkey's foreign policy

TURKEY HAS IN FACT ATTRACTED MUCH POSITIVE INTERNATIONAL ATTENTION OVER THE DIPLOMATIC INITIATIVES IT HAS LAUNCHED WITH A VIEW TO SECURING WHAT MIGHT BE TERMED "A BELT OF FRIENDSHIP AND COOPERATION" AROUND ITSELF.

right from the start, when the AKP came to power in November 2002.

His proactive role in Middle East politics even attracted the attention of French President Nicolas Sarkozy, who invited Davutoğlu to Damascus during his official visit to Syria, in order for him to advise the French side about the latest developments in the region.

The assumption that Davutoğlu's main interest lies in the Middle East results mainly from his active engagement in issues that pertain to the region. His playing mediator between Syria and Israel, as well as his contacts with Hamas representatives has been taken as signs that his heart lies in the Middle East. But this is an inaccurate conclusion to reach. The simple fact is that Davutoğlu's personal interest, while not overlooking the Middle East, lies very much in the Balkans. He also has a particularly soft spot, within this context, for Bosnia.

It is nevertheless, Prime Minister Erdoğan, and not Davutoğlu, who has stoked doubts about Turkey's foreign policy orientation. His strong accusatory words against Israel, over that country's brutal retaliatory "Operation Cast Lead" against the people of Gaza, and his subsequent angry outburst at Israeli President Shimon Peres, during the annual World Economic Forum meetings in Davos by world leaders, constituted a turning point in this respect.

It was the culmination of the above that spurred mostly pro-Israeli elements in the West to claim Ankara was turning towards an Islamist foreign policy under the AKP. Erdoğan's subsequent cozying up to Iranian President Ahmadinejad - "a close friend" - and his strong support for Tehran, with the argument that those who were worried about Iran's nuclear program should fist get rid of their own nuclear weapons, did not help matters either.

As an aside here it must be said that given the turn towards the extreme right in Israel, and the militarism that comes with this, it is unlikely that any government in Turkey would have, or could have, remained silent in the face of such developments as took place in Gaza last December. But because it was the AKP and Erdoğan, the whole matter was seen from the "Turkey is going Islamic" perspective by supporters of Israel. And, as I suggested, it was Erdoğan himself who stoked the flames in this respect with his own unrestricted discourse and relentless attacks on Israel.

Erdoğan's strong support for Sudanese President Omar Al Basher, who is facing an international arrest warrant on charges of crimes against humanity in Darfur, merely fueled the argument. The Prime Minister's contention that Basher is innocent was inevitably interpreted by many as yet another overt reflection of Turkey's growing solidarity with the Islamic world, no matter how unsavory its leaders may be.

Putting together Turkey's developing ties with Syria, and Erdogan's attitude on Iran and Sudan, not to mention his angry remarks about Israel, pro-Israeli elements in Europe and North America launched what appears to be a campaign, openly suggesting Turkey had gone Islamist.

Those who argue about a change in orientation in Turkey's foreign policy also overlook the fact that there are quite a number of European leaders who see these openings by Turkey in a positive light. They argue that such policies will help the West bridge its differences with the Islamic world. For such observers, this fact is also a factor that is being

considered more and more in terms of Ankara's eventual accession to the EU.

The bottom line then is that Turkey is not changing its orientation but expanding its foreign policy engagement. An important point to underline here is that it is doing all this not just because of political and strategic considerations but also for the sake of its economic interests.

Politics of energy and the Erdoğan factor

Turkey is a rapidly developing country. It has the 16th largest economy in the world and is a member of G-20. It needs new markets in order to sustain its high growth rates. Even Iran is not a country that Turkey can afford to give up on in this context. A country with an increasing appetite for all kinds of energy sources, Turkey is at the center of the new geopolitics of energy. As the next three articles analyze from a multitude of perspectives it seeks to become an indispensable player in that game. By using its geographical advantage as a transit country for gas and oil Turkey wishes to become an energy hub. To that end Ankara enters into intricate deals with European countries as well as Russia. Its relatively mild treatment of Iran ought to be understood in that context.

Therefore one could say that the foreign policy orientation being implemented under Foreign Minister Davutoğlu's guidance is the correct way to go for Turkey, given the turbulent geography it is surrounded with, as well as its growing economic needs. Viewed from a slightly different perspective these policies are those of a regional power in the making, whose strength is not limited to its military might but in fact rests very extensivley on elements of "soft power".

Whether Prime Minister Erdoğan's outbursts and remarks on Israel, Iran or Sudan - for example - are helpful in this context is another question. It is after all these outbursts and remarks that make many question whether Turkey is going Islamist in its foreign policy.

Perhaps things would have been different if Mr. Erdoğan used his influence on the side of human rights and democracy in countries such as Iran and Sudan. He does after all purports

WE HAVE A SOMEWHAT CURIOUS SITUATION OF A TURKEY THAT IS NOT NECESSARILY CHANGING DIRECTION BUT OPENING UP TO THE REGIONS SURROUNDING IT AND BEYOND, IN A PROACTIVE MANNER.

to be a great supporter of these values at home. His indifference to such maters in his dealings with Sudan or Iran goes to bolster the notion that his heart in fact lies in the East and not the West.

One could argue, therefore, that the implementation of Turkey's current foreign policy is methodologically correct. This is the rational course to follow vis-a-vis Ankara's national interests. But whether the style adopted by Mr. Erdoğan - which clearly reflects his personal Islamist tendencies - is a help or a hindrance in this respect is an open question.

Take his opposition to former Danish Prime Minister Anders Fogh Rasmussen's appointment as NATO secretary general. Erdoğan made it clear that he was getting messages form Islamic leaders who wanted him to veto Rasmussen's appointment because of the manner in which the latter handled the cartoon crisis. He appeared thus more of a spokesman for the Islamic world than a member of the West and NATO.

It was left up to President Abdullah Gül to correct the situation in the end, as he has done on a number of occasions after Erdogan's gaffes and blunders. But his attitude on Rasmussen was nevertheless noted in capitals around the western world.

Erdoğan also purports to be a staunch supporter of ties with the US and the EU. He says his government is pushing forward in terms of Ankara's bid for full accession to the EU. The European side however sees diminishing interest on his part in Turkey's EU aspirations. His preference to play the blame game and accuse those who are openly against Turkey's membership bid in Europe, on the other hand, appears no more than a smokescreen for his own lack of enthusiasm for the EU.

As far as ties with the US are concerned, while his foreign minister Davutoğlu has declared earlier this year that Turkey-US ties would be entering their best period ever, developments appear to belie this. In fact relations might be affected somewhat if Erdoğan's position or more noticeably his rhetoric, on Israel, Iran, and Sudan continues.

Washington is of course highly pleased with the government's Kurdish and Armenian openings. It is therefore maintaining a moderate tone when responding to Erdogan's remarks on Iran and Israel. This is why, to many observers at home and abroad, Erdogan's remarks appear more of a hindrance than a help at a time when Turkey is trying to open up in all directions as regional and global developments necessitate.

Put in another way, we have a somewhat curious situation of a Turkey that is not necessarily changing direction but opening up to the regions surrounding it and beyond, in a proactive manner. This policy is also appreciated around the world. In the meantime President Gül and Foreign Minister Davutoğlu continue to emphasize Turkey's basic western orientation.

But it is the country's Prime Minister who is making the implementation of his own government's proactive foreign policy harder. This is a strange situation indeed. But then no one can claim Turkey to be a run of the mill, ordinary country.

Semih İdiz *is a columnist for Milliyet and Hürriyet daily news*

Turkey's Energy Politics:

Neither East Nor West

Gülnur Aybet

In a panoramic view of Turkish foreign policy three distinct spheres can be identified that are not connected to one another but in each Turkey is all active. The first sphere is a value-based transatlantic security community Turkey belonged to since 1952, through its NATO membership, its long standing aspiration for EU membership and affiliation with various Euro-Atlantic institutions. The second sphere is an identity-based regional outreach, one which is manifested by the ruling Justice and Development Party's (AKP) populist rhetoric on several regional issues, loosely built on ties with the Islamic and Turkic worlds. The third sphere is where Turkey's energy politics are pursued from a purely realist perspective, without any obvious bearing whatsoever on the first and second spheres. This is where Turkey's recent energy deals with Russia fall under.

While Turkey's underlying interests in the third sphere of its foreign policy is to become a major Euro-Asian energy hub, nevertheless, once the feasibility of the various regional energy deals Turkey signed become clearer, Ankara will be faced with making choices that favor one deal over the other.

Perhaps the key to understanding the eventual choices Turkey may be faced with in regards to its energy policies is the balance it will need to find between these three distinct spheres of its foreign policy. At the moment, the three spheres are so disconnected from each other that at times it becomes difficult to read the general direction of Turkish foreign policy in a transatlantic and regional setting.

The ambivalence over the prioritization of one sphere over the other in Turkish foreign policy is not just an internally driven matter. Turkey's much needed balance between the three spheres in its foreign policy is also due to the disarray that currently prevails in the first sphere: the transatlantic security community itself.

The three spheres of foreign policy

A security community is a relationship between states which is more than an alliance. There are common values, norms and principles centering on a common 'way of life' which the security community strives to preserve. Throughout the Cold War, the norms and values of the transatlantic security community were very loosely defined under a 'western' identity that relied on the definition of its way of life being against the way of life promoted by the Soviet Union. However, because these member states firmly belonged to a geographically and ideologically defined 'western bloc', their place and identity within the transatlantic security community were unquestionably solid.

Despite the myriad changes in the international landscape since 1945, the 1990s saw a remarkable continuity in preserving and promoting the post-war system. This was achieved through an ownership of international norms which legitimized military intervention, beyond the Cold War legitimization through geostrategic logic or resources. In the early 1990s, Turkey participated in various missions, such as SFOR in Bosnia, which underlined the growing collective security profile of the security community to which it belonged.

IF TRANSATLANTIC APPROACHES TO EURASIA CONSIST OF A SPORADIC REACTIVE CONSENSUS RATHER THAN A CONSISTENT LONG TERM STRATEGY, THIS DOES NOT SEND A VERY GOOD SIGNAL TO COUNTRIES THAT ARE KEEPING ALL THEIR REGIONAL OPTIONS OPEN LIKE TURKEY.

By 2003, it was evident that the transatlantic security community itself was moving away from its 1990s cohesion built around promoting norms. Following the transatlantic fallout over the Iraq war in 2003, France and Germany's reluctance to endorse NATO enlargement to Ukraine and Georgia in April 2008, followed by a hastily patched alliance endorsement after Russia's intervention in Georgia last August, only served to weaken an already tarnished transatlantic cohesion. Yet, while the first sphere of Turkish foreign policy - the transatlantic security community seemed to be in trouble, during this time, Turkey was also going through its own internal transformation.

Since the AKP came to power in 2002, Turkey's internal transformation process from an old power structure and its accompanying system of checks and balances to a new one was reflected in shifts in its foreign policy as well. Sometimes these transformations in foreign policy have been interpreted by external observers as a shift away from Turkey's traditional membership in a 'value' based transatlantic security community to an 'identity' based regional security community in the making, through an outreach to the Islamic and Turkic worlds. This constitutes the second sphere of Turkish foreign policy. Prime Minister Erdoğan's occasional populist outbursts such as the one in Davos or in Baku and over the Uigur uprisings in China, have come to be seen as manifestations of identity politics in foreign policy. Although one cannot define Turkey's regional outreach based on Islamic and ethnic ties as a security community as such, nevertheless this outreach was beginning to be seen by external observers as an alternative to Turkey's membership in the first sphere of a transatlantic security community.

Turkey has found it increasingly hard to locate its exact place in the transatlantic partnership in the post-Cold War era, and particularly since the transatlantic fallout over the invasion of Iraq in 2003. This inability to find a firm and unequivocal position has repercussions on where Turkey is likely to be placed in the transatlantic relationship. It may also bear on how Turkey's internal developments may shape the nature of its foreign policy traditionally embedded in the transatlantic security framework.

However one should not view Turkey's developing relations with Russia, and to some extent with Iran, as a shift from a transatlantic security community to an emerging regional security community. Turkey's energy policies are not driven by its position in either the first or the second sphere of its foreign policy, but are based on considerations of pure realism - the furthering of interests and maximization of power. This constitutes the third sphere of Turkish foreign policy. In fact the populist outbursts associated with identity politics have very little to do with Turkey's regional relationships which are definitely independent of its transatlantic relationship.

The Georgian crises

Perhaps the greatest challenge faced by Turkey regarding its place in a transatlantic security community was the Georgia-South Ossetia conflict in August 2008.

As a NATO member, Turkey's position vis-à-vis Russian objections to NATO's enlargement to Georgia on the one hand and its strong economic and energy ties with Russia on the other were far more complicated than the dilemma faced by other European countries. It wasn't only that Georgia was a crucial geopolitical actor as a transit country for the two pipelines that transformed Turkey into a major energy hub for the supply of Caspian gas and oil to international markets. Turkey's own relations with Russia were also based on an intricate economic relationship with a mutual interdependence on the supply and demand of gas. This is why Turkey consulted with Russia during the Georgian crisis first and then entered into communication with its NATO allies. The Turkish proposal for a Caucasus Cooperation and Stability Pact was also first presented to Russia and then to Georgia. Turkey's strict adherence to the Montreux convention on the size of the warships allowed passage to the Black Sea during this time strongly indicated that no preferential treatment would be given to NATO allies.

At one glance, it may have seemed that Turkey was not acting as a member of a transatlantic security community during the Georgian crisis. However, in contrast to most European states, Turkey's relations with supplier states, transit states and Russia in the Eurasian energy triangle, are very complicated. European states face the dilemma of keeping good bilateral relations with Russia, as they suffer the anxiety of Russia's reliability as an energy supplier. Turkey views Russia as a very reliable energy supplier, a perception which is reinforced by Russian business interests in the country. Not only is Russia the single bidder for Turkey's first nuclear power station, Moscow is Turkey's most lucrative trading partner, with bilateral trade volume exceeding $30 billion per year. Russia's aspiration to obtain gas distribution rights in Turkey and contracts for building refineries, including the Liquified Natural Gas station in the Turkish Mediterranean port of Ceyhan, became a reality during Russian President Vladimir Putin's August 2009 visit to Ankara. The agreement was one of many meant to deepen energy cooperation between Russia and Turkey.

Another deal Turkey concluded with Russia during this visit, was the Russian participation in Samsun-Ceyhan (SCP) oil pipeline. From Turkey's point of view, this is an important project which requires Russian collaboration as it would alleviate tanker traffic on the Bosphorus. Russia was initially not interested in SCP because of its own planned Burgaz-Alexandropoulis pipeline as an alternative to bypassing the Straits. But in closing this deal, Russia was probably also enticed with the economic advantages of linking Ceyhan to Israel and India, and its own stake in developing Ceyhan's LNG station.

The energy dimension

Perhaps the most significant of the deals signed between Russia and Turkey in August was the South Stream project. This initiative, which would link Russian gas through a pipeline that goes under the Black Sea into Europe, was originally planned by Russian officials as an alternative to NABUCCO. NABUCCO was meant to reduce Europe's dependence on Russian gas and neutralize Moscow's control of the transit routes for Central Asian and Caspian gas. By signing the Turkish deal, Russia has increased the feasibility of its South Stream project. The off-shore section of the pipeline will traverse the Turkish Exclusive Economic Zone (EEZ) in the Black Sea, thus bypass the Ukraine as a littoral state, a goal that Moscow has long sought to achieve.

While the South Stream seemed unfeasible, at one point, Russia even considered becoming a potential supplier for NABUCCO. In fact, Turkish Prime Minister Tayyip Erdoğan suggested that this was a perfectly reasonable option. However, if South Stream does go ahead successfully, Russia will no longer feel the need to court NABUCCO as a possible outlet for Russian gas.

The South Stream is pivotal in illustrating Moscow and Ankara's common interests. For Russia, the objective is to get its supply to consumers with minimal problems at the lowest transit cost possible. This means the avoidance of what Russia considers to be problematic transit countries such as the Ukraine. For Turkey, the underlying interest is to use its geo-strategic position to become more than a transit country but a major energy hub and reduce prices from suppliers for a better deal and even be a re-seller to other markets. The existence of these complementary objectives was bound to result in more intimate Turkish-Russian cooperation. However, these common aims do not preclude the presence of tensions between the two parties.

The Russian interest of obtaining the lowest transit cost possible goes against the Turkish interest of becoming more than just a transit country. For example this disagreement over pricing plays itself out in the obstacles to reaching a deal over Russia's bid for Turkey's first nuclear power plant.

However, both South Stream and NABUCCO have their weaknesses: Whereas the South Stream might face cost-overruns and financing shortfalls, NABUCCO might not be able to garner a sufficient number of suppliers. Still, Turkey views NABUCCO as the main East-West corridor and the Russian deals as solidifying its role in the North-South corridor.Therefore, as Turkish authorities have pointed out, they do not view the two projects as competing options.

But for both projects, the quantity of the future supply of Central Asian gas is critical. At the moment Gazprom controls all Russian and Central Asian gas exports because the Soviet-built pipeline network, although in need of critical modernization, is the main outlet for the Central Asian suppliers. Hence, Russia purchases Central Asian gas and then sells its own and Central Asian gas to Europe at higher prices. However, to be able to export a large portion of Russian gas to Europe, Moscow is dependent on a continued and reliable flow of subsidized gas from Central Asia. If Central Asian countries continue to diversify their exports, Russia may find it hard to meet existing European commitments. Still, because of Moscow and Tehran's objections to a Trans-Caspian pipeline, linking Turkmen gas through the Caspian Sea to Azerbaijan, and Russia's refusal to ratify the Energy Charter Treaty and its Transit Protocol, Central Asian dependence on Russian pipelines is likely to continue for a while.

On the other hand, the future supply of gas for NABUCCO is precarious. The NABUCCO agreement was originally envisaged to bring Caspian gas to European markets by 2014. The project aims to build a pipeline which will connect the existing Baku Tbilisi Erzurum (BTE) pipeline via Turkey into Europe. However, NABUCCO may not reach the 2014 delivery deadline due to doubts that Azerbaijan will be able to supply sufficient gas to fill the pipeline to full capacity. Such concerns are coupled with the uncertainty regarding additional future suppliers, including Turkmenistan, Iraq and perhaps Iran, much to the consternation of the US Now that Russia feels more confident that the South Stream is feasible since the signing of the deal with Turkey, it may decide not to be a supplier for NABUCCO in the near future.

TURKEY HAS FOUND IT INCREASINGLY HARD TO LOCATE ITS EXACT PLACE IN THE TRANSATLANTIC PARTNERSHIP IN THE POST-COLD WAR ERA, AND PARTICULARLY SINCE THE TRANSATLANTIC FALLOUT OVER THE INVASION OF IRAQ IN 2003.

Regarding Iran's role as a potential supplier, in contrast to Russia, Turkey does not view Iran as a reliable energy supplier. Despite this, Ankara receives a portion of its gas supply from Iran under a 1996 deal. Nevertheless in 2007, the AKP government signed a Memorandum of Understanding with Iran, which envisages linking Iranian gas to the building of two pipelines, one which will eventually transfer Turkmen gas via Iran and Turkey to Europe and another connecting the South Pars gas field directly to Turkey. The deal is important for Iran because of the chance to develop the gas rich South Pars field.

and the security of energy supply routes, including the ending of pro-western Georgia's isolation by bringing Armenia into the fold of Euro-Atlantic integration. However, there are many stumbling blocks still to be overcome. These will be apparent as the accords go to the Parliaments of both countries for ratification. One of the obstacles is likely to be Turkey's intricate energy and ethnic based relationship with neighboring Azerbaijan that is involved in a frozen conflict with Armenia over the enclave of Nagorno-Karabakh since the early 1990s. Ankara made it clear that it will not normalize relations with Yerevan at the expense of its relations with Azerbaijan. Not only is Azerbaijan the key supplier to the two energy pipelines that could transform Turkey into a main energy hub, it also has close ethnic ties with Turkey. In fact, PM Erdoğan pledged to the Azeri leadership in May that Turkey would not open its border with Armenia as long as the Karabakh issue remained unresolved.

TURKEY'S POLICY OF KEEPING ALL OPTIONS OPEN WITH REGARD TO THE REALPOLITIK OF ENERGY IS NOT LINKED TO IDENTITY POLITICS-OR AN EMERGING REGIONAL SECURITY COMMUNITY BASED ON RELIGIOUS AND ETHNIC IDENTITIES, BUT THE AKP LEADERSHIP'S POPULIST RHETORIC IS IN THE PURVIEW OF IDENTITY POLITICS.

Practicing *Realpolitik* in all its complexity

However, it is important to note that the Iranian deals are reflective of Turkey's overall interest to diversify its sources of energy rather than any Islamist empathy. Therefore, Turkey's policy of keeping all options open with regard to the *realpolitik* of energy is not linked to identity politics - or an emerging regional security community based on religious and ethnic identities, although the AKP leadership have at times engaged in populist rhetoric that is in the purview of identity politics. Thus, any energy deal with Iran has to be thought of in purely realist terms.

Another manifestation of Ankara's efforts to maximize its interests is the recent deal between Turkey and Qatar which seeks to establish a joint energy commission and focuses on the delivery of Qatari liquefied gas to Turkey.

Apart from these various regional energy deals, Turkey's recently concluded accords with Armenia for the normalization of bilateral relations directly affects the *realpolitik* of regional energy choices and the regional ethnic based identity politics, thus creating a direct cross between the second and the third spheres of Turkish foreign policy.

The Turkish-Armenian deals are important for regional stability

Here, Russia could play a constructive role, as it has supported the signing of the Turkish-Armenian accords, thus not objecting to the ending of Armenia's isolation. Bringing Armenia closer to a transatlantic security community by opening to the west through Turkey may seem contrary to Russian interests, but one must keep in mind that regional stability is also important for Moscow. If anything Russia is now exercising a more balanced influence over Armenia and Azerbaijan after the Azeri-Russian rapprochement following Azeri concerns over the Turkish-Armenian roadmap for the normalization of relations.

This shows the intricateness of regional interests based on the security and stability of energy supply routes. The Turkish-Armenian deals reflect Turkey's foreign policy interests in the first sphere, that is, its place in a transatlantic security community. Turkey is the key country to break Armenia's isolation from the west. The deals also reflect Turkish foreign policy in the third sphere, that is, Turkey's interest to foster regional stability for the future security of energy supply routes. However, it also contradicts Turkey's interests in the second sphere - its regional outreach to an emerging security community based on religious and ethnic common identities.

The agreement with Azerbaijan to lay a gas pipeline from the eastern Turkish town of Igdır to the autonomous Azeri exclave of Nakhichevan, can be seen as a way to smooth Azeri concerns over the Turkish-Armenian normalization of relations. In fact energy minister Taner Yıldız made this very clear when he said "we are not looking at the delivery of gas to Nakhichevan as a matter of interest in trade. We see it as the brotherly relationship between our two countries". Therefore, the minister placed this move entirely in the 'identity' sphere. In that sense Turkey was also sending out a message to Azerbaijan that Turkey may have signed a multitude of energy deals and a pledge of normalization of relations with Armenia for the pure *realpolitik* reasons of regional stability and trade.

Yet Turkey's relationship with Azerbaijan cannot be classified under realism but is a special relationship based on the politics of identity. Therefore, Armenia and Russia may fall in the third sphere of *realpolitik* of energy but Azerabaijan falls in the 2nd sphere of identity politics. This is how the Turkish-Armenian accords cut across all three spheres of Turkish foreign policy. Therefore, it is highly unlikely that Turkey will ratify the accords unless a token conciliatory gesture is forthcoming from Armenia with the withdrawal of some troops from the Nagorno-Karabakh region.

However, the Turkish policy of keeping all of its energy options open, contradicts its policy of belonging to a transatlantic security community. This is evident in Turkey's energy policies towards the EU. Despite the ongoing accession negotiations, and Turkey's declared aspiration to become an EU member state, Turkey has viewed the European Energy Community proposal less enthusiastically than other aspirant states in the Balkans which have been compliant. This is because while Turkey may pursue EU membership within the foreign policy activities of the first sphere, if any EU standards contradict Turkey's interests in the third sphere- its independence in regional energy choices - then, Turkey is going to choose the latter above the former. This also indicates that EU conditionality works very differently in the case of Turkey than in other aspirant and candidate states.

The policy of keeping all energy options open in the third sphere is also evident in Ankara's refusal to become a partner in South Stream, although Turkish officials have allowed the use of the Turkish EEZ in this project. The development of the complementary or competing projects in the midst of these numerous complicated relationships between transit countries, suppliers and consumers remains to be seen. Turkey's interest in signing a variety of regional deals is the fact that none of these tentative plans are operational yet, except the Turkish-Russian Blue Stream, existing Russian pipelines to Europe through Ukraine and BTC and BTE. In fact, all of Turkey's recent energy deals are Memorandums, not finalized contracts, therefore depending on the feasibility of suppliers and costs. Therefore a number of these tentative projects may never take off.

Turkey's choices

Turkey's main objective in keeping all its energy options open is to become a major transit hub and become a re-seller to other markets.While this approach remains possible now due to the uncertainty of suppliers and a dearth of financial backing for many of the tentative projects, Turkey may have to exercise a strategy of choice in its energy policy as options narrow. Selective bargaining will require Turkish policy makers to adopt a far more skillful approach than assenting to every possible deal.

Turkey can follow a much more definitive strategy of choice in its energy policies only if it manages to balance the three spheres of its foreign policy: The value-based transatlantic security community; the identity-based regional outreach, and the realpolitik of energy and trade. The importance of such balancing was made quite obvious by the trials and tribulations it still goes through because of the accords signed with Armenia that cut across all three spheres.

In conclusion, two factors, one internal and one external will impact the way in which Turkey can balance its foreign policy between these three spheres. The first is the internal democratization process. Turkey's ability to balance its foreign policy between the three spheres will be enhanced with a consolidated democracy that can bring about the resolution of the Kurdish issue and with more stable civil-military relations grounded in a healthy reciprocal adjustment.

The second, an external factor, is the necessity of a more coherent transatlantic relationship. The problem is not so much why Turkey does not from time to time act as if it belongs to the transatlantic relationship but what is wrong with the transatlantic relationship itself. In fact, since the big transatlantic fallout in 2003 over Iraq, Europe and the United States only seem to agree if a crisis brings them together such as the Russian invasion of Georgia. This crisis saw the receding of German and French reservations for future NATO enlargement to Georgia and Ukraine.

If transatlantic approaches to Eurasia consist of a sporadic reactive consensus rather than a consistent long term strategy, this does not send a very good signal to countries that are keeping all their regional options open like Turkey. Therefore, a more coherent transatlantic approach to the region and energy politics in particular coupled with a consolidated reform process within Turkey itself will create a better balance between Turkey's present juggling act in a foreign policy of three independent spheres.

Gülnur Aybet *is a Southeast Europe Policy Scholar at the Woodrow Wilson Center, Washington D.C. and a lecturer in international relations at the University of Kent, Canterbury, England.*

Which one would you like to listen to? Verdi's "NABUCCO" or Paul Simon's "Bridge Over Troubled Waters"

Necdet Pamir

Introduction

On 13 July 2009, an intergovernmental agreement was signed with great pomp. This was an important step towards the realization of the NABUCCO project that is "a new gas pipeline connecting the Caspian region, Middle East and Egypt via Turkey, Bulgaria, Romania, Hungary with Austria and further on with the Central and Western European gas markets". The signing ceremony was hailed by most of the Turkish media as "The Signature for the Project of the Century". Important though it was, the signing of the agreement was only a necessary but not the sufficient condition for the realization of this ambitious project. NABUCCO still faces many obstacles including technical, economical and geopolitical ones before it can materialize.

The Turkish media made similarly exaggerated noises about the 20 protocols signed between the Russian Prime Minister Vladimir Putin and Turkish PM Tayyip Erdoğan on 6 August 2009 only 3 weeks after the NABUCCO signing ceremony. These included an agreement for a Russian gas pipeline project, namely the South Stream that was clearly a rival to NABUCCO. Putin secured an agreement for seismic and environmental studies from Ankara. There are diverging reactions, both at the national level and internationally to the recent agreements with Russia. While some claim that NABUCCO and South Stream projects are complementary, others express doubts and yet another group even interpret the agreements as "Turkey's double game".

NABUCCO was planned to diminish Turkey's and EU's dependence on Russian gas. However, signing deals with Russia will further increase Turkey's dependence on Russian gas. Furthermore supporting rival projects that might endanger the realisation of NABUCCO and continuing negotiations with Russia for a nuclear power plant in Turkey go against Turkey's interests and in addition, annoy both EU and US officials.

The NABUCCO Project and its evolution

The cost for the proposed 3300-kilometer pipeline is estimated to be nearly 7.9 billion euros. It would bring gas from the Caspian, Middle Eastern and African sources via Turkey to Bulgaria, Romania, Hungary, Austria and in due course to other Central and Western European gas markets. If constructed, the 25-31 bcm pipeline is expected to provide an alternative to Russian gas and would help to satisfy the ever-growing demand of the EU while enhancing the strategic and economic importance of Turkey. The construction was initially planned to start in 2008 and the pipeline to be operational in 2011. Despite strong EU support, the project faces significant problems both on the supply and demand sides. The history of the Project's evolution is a typical and significant example of the struggle of energy geopolitics between powers like the EU, the United States and Russia.

The Project was initially developed by Turkey's BOTAŞ (Petroleum Pipeline Corporation) and Austria's OMV. Their plan then attracted MOL (Hungarian Oil and Gas plc), TRANSGAZ (Romania) and BULGARGAZ (Bulgaria). Following a Memorandum of Cooperation in May 2002 between BOTAŞ and OMV Gas, in June 2002 all five parties to the project signed a protocol in Istanbul affirming their intention to jointly construct the NABUCCO pipeline they were all to become equal stakeholders of the Project.

In December 2003 a Grant Agreement was signed between OMV Gas, the other four partners as associated beneficiaries and the European Commission. With this Agreement the EC awarded a grant in the amount of 50% of the estimated total eligible costs of the study phase.

Following these initial steps, the NABUCCO company published and presented its first reports (Map-1).

In the company's initial reports and presentations 4 main alternative sources were targeted: Azerbaijan, Iran, Iraq and Egypt (Map-2).

However; technical, economic and mainly geopolitical factors of different magnitudes adversely affected (and still affect) the availability of such "alternatives". As a result, the company stakeholders had to reconsider Russian exports as the most available source in the near and medium-term. Needless to say, this contardicted the main aim and philosophy behind NABUCCO: Reducing their (over)dependence on Russian gas. As the prominent analyst Vladimir Socor ironically responded to the question "Would Nabucco NABUCCO be NABUCCO with Russian gas involved?" in an interview, "... This is not what NABUCCO was, is and should be about. Then it also means that European investors will spend money on building the NABUCCO pipeline in order to receive gas from Russia, so it would be an additional service to the Kremlin and Gazprom. So that's not a good idea at all in my opinion. Secondly; if NABUCCO ends up carrying at least some Russian gas -- people talk about 50 percent -- then NABUCCO will not be NABUCCO anymore; it will be something completely different. It may still be called NABUCCO but it will not be NABUCCO. With Russian gas, it does not matter whether this project is called NABUCCO or Rigoletto or Aida".

Obstacles to the NABUCCO Project

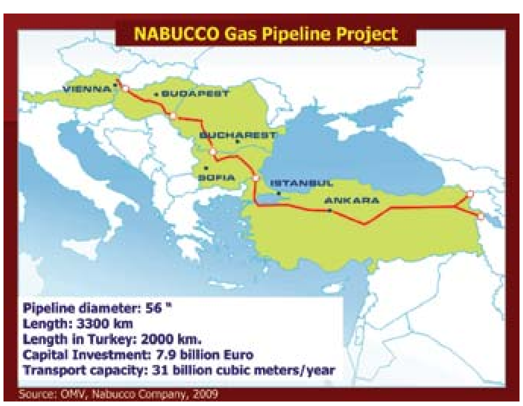
While the NABUCCO company targeted Azerbaijan as one of the most probable alternative sources, various issues were adversely affecting the availability of Azerbaijani gas as a reliable and alternative source for the project:

- The (limited) production/export potential of ShahDeniz gas field
- Turkey's demand to retain 15 % of the gas that is to be transported by the pipeline
- Pricing conflicts between Turkey and ShahDeniz stakeholders
- Transit issues (Between Turkey and the EU)
- Russian policies restricting Azerbaijan's gas export volumes
- Turkey's diplomatic "opening" towards Armenia and Azerbaijan's adverse reaction to this rapprochement between Ankara and Yerevan

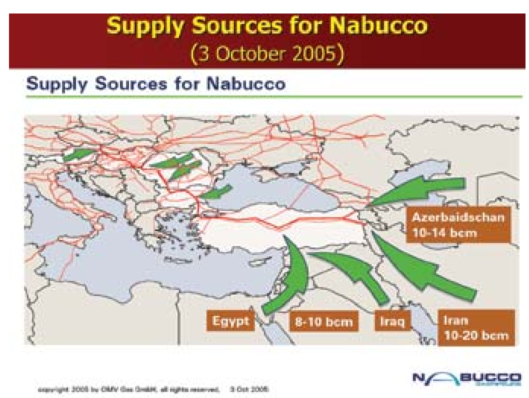
The ShahDeniz field is the main source of export from Azerbaijan for Nabucco. The development of the field is planned by the stakeholders to take place in 2 successive phases. Phase 1 is expected to produce 8,5 billion cubic meters a year (bcm/y) while Phase 2 will produce 16 bcm/y reaching a total peak volume of 24,5 bcm/y. The ShahDeniz gas is already commited to several countries. These are: Georgia (2 bcm/y), Turkey (6.6 bcm/y; apart from Nabucco), Greece (4.3 bcm/y), Italy (8 bcm/y). The total volume of commitments from ShahDeniz field adds up to 20.9 bcm/y leaving only 3.6 bcm/y for exports.

The Russian pressure on Azerbaijan is another matter of concern which limits Azerbaijan's export potential. Azerbaijan was importing significant volumes of gas from Russia at a price of USD 110 /1000 cubic meters until January 2007 when Gazprom increased the unit price to USD 235. As a reaction, Azerbaijan stopped importing Russian gas and started to consume more from its domestic production. That in turn limited the volume available for exports. Similarly and simultaneously, Russia raised its export price to Georgia, a country that was importing 2 bcm/y

Map-1: Nabucco Gas Pipeline Project



Map-2: Supply Sources for Nabucco



"The NABUCCO project is important both for us (Turkey) and the EU. The South Stream Project we signed with Russia is also important, but the two will be rivals as Europe is the purchaser for both. There is little chance to build NABUCCO and South Stream at the same time".

(100 % of its gas imports) from Russia. This resulted in Georgia's call on Azerbaijan to replace "expensive" Russian exports. Such demands further reduced the available ShahDeniz gas that NABUCCO targets as the most reliable supply source.

Adding to these problems, a pricing conflict between Turkey and ShahDeniz stakeholders is still awaiting a compromise between the parties. The initial agreement had a price ceiling of USD 120/1000 cubic meters for the first year of the contract. The gas exports to Turkey started in July 2007 through the South Caucasus Gas Pipeline (Baku-Tblisi-Erzurum) via Georgia, Since April 2008 the parties have been negotiating for a new price formula and have not yet reached an agreement.

While these problems continued, Turkey's diplomatic "opening" towards Armenia prompted a strong reaction from Azerbaijan. This further complicated the already problematic relations between Ankara and Baku. Despite efforts to normalize relations Ilham Aliyev, the Azeri President, preferred to visit London instead of joining the signing ceremony of the "Deal of the Century" for NABUCCO in Ankara. He also had declined to attend a UN-backed "Alliance of Civilizations" meeting in Istanbul in April 2009 due to his unease over the Turkish-Armenian rapprochement. That summit brought together many world leaders including US President Barack Obama. To show his reaction, Aliyev later visited Moscow and offered a symbolic volume (0,5 bcm/y) from Azerbaijan's already limited export capacity to Gazprom. The volume may be symbolic but is sufficient to show Azerbaijan's disappointment with Turkey.

The next alternative source for NABUCCO is Iran a country that has 29,61 trillion cubic meters of recoverable gas reserves, representing 16 % of the world's proven reserves. In 2008 Iran produced 116,3 bcm/y while consuming 117,6 bcm/y leaving no volumes for export. The country exported 5,80 bcm to Turkey thanks to imports available from Turkmenistan. In short, if new fields like South Pars could not be developed in cooperation with foreign oil companies, Iran has no volumes to supply either for NABUCCO or any other demanding party. On this issue, "several US laws and Executive Orders extend sanctions to foreign companies that do business with Iran, as part of an effort to persuade foreign firms to choose between the Iranian market and the much larger US market. A formal US effort to curb international energy investment in Iran began in 1996 with the Iran Sanctions Act (ISA)".

Through such laws and presidential orders, the US Administration prohibits companies that intend to invest more than 20 million dollars in the Iranian oil and gas industry. It had not been easy to fully apply these restrictions since Iranian oil and gas, as well as the Iranian market are attractive for many European, Japanese, Russian and Chinese companies. However, recently all the companies interested in investing in the Iranian energy industry, at least officially seem to be back-stepping from their investment plans. For example, "European banks - including Deutsche Bank, HSBC, and BNP Paribas - have largely stopped doing business with Iran. New German export credit guarantees to Iran have fallen from $3.3 billion in 2004 to $1.2 billion in 2006, and German exports to Iran fell by 18 percent in the first half of 2007.

Major investments in the Iranian energy sector - such as those planned by France's Total, Spain's Repsol, and the Anglo-Dutch group Royal Dutch Shell - have been delayed repeatedly. These new constraints are having an effect on Iran's already troubled economy and particularly on its ability to make badly needed investment in its energy sector. If the Security Council is unwilling to follow up on its threats to impose further sanctions in case Iran fails to comply with IAEA demands, the EU leadership will do so at the EU level. Thus, although Iran holds the second biggest proven gas reserves of the world, the chances are slim for the moment to develop Iranian hydrocarbon fields until the current nuclear controversy is solved. Under these circumstances the Iranian alternative as a source of supply for NABUCCO is not feasible.

Iraq is another alternative sought after by the NABUCCO stakeholders. It holds 3.17 trillion cubic meters of proven gas reserves (1.7 % of the world total) 70 percent of which is estimated to lie in the Basra governorate in the south. Iraq's current gas production is very limited (approximately 3 bcm/y in 2006) and nearly 60 percent of associated natural gas production is flared due to a lack of appropriate infrastructure to supply it for consumption and export. Shell has been awarded a contract to explore this underutilized capacity. Significant volumes are injected into oil reservoirs to maintain the oil production in existing levels. The non-associated gas fields reportedly slated for priority development are mostly in the northern governorates near Kirkuk. However, the instability in Iraq is the most important obstacle for the development of the gas potential of the country.

The Turkish Petroleum Corporation (TPAO, The State Oil Company of Turkey) has so far been unsuccessful in winning any bid to develop Iraqi oil and gas fields although it has been trying since 1994. It targeted the Gharaff (oil) and Mansuriya (gas and condensate) fields in particular. One must note therefore that Turkish government's claims that it was opening a "new page" in Iraq ignore such long-term efforts. The company also failed to win any of the tenders offered in July 2009 by the Central Goverment of Iraq.

Iraq is an unstable country. Before expecting significant investment and a safe environment for field operations we need a long period of gestation and enormous efforts by the international community. Before anyone invests billions of dollars in that country to increase its gas production, the government has to ensure the security of the existing energy infrastructure. Lack of security caused the Kirkuk-Yumurtalık Oil Pipeline to remain idle for years after 2003.

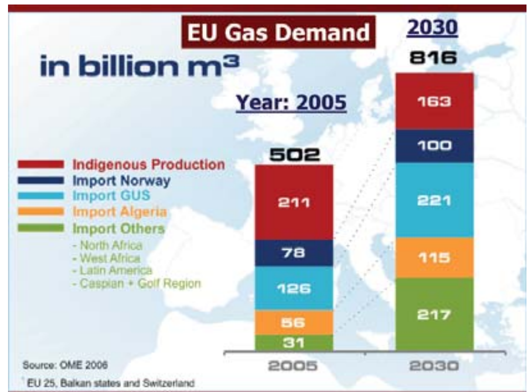
While he was still the chief advisor to the Prime Minister, Ahmet Davutoğlu, Turkey's Minister of Foreign Affairs, said in September 2008 that he fears "recent optimism on Iraq in the United States overlooks significant, dangerous problems that remain unresolved." In a meeting in Ankara with representatives from the Council on Foreign Relations and visiting American journalists, Davutoğlu drew attention to the fact that "ethnic and religious differences among Iraq's leadership are bound to flare up again".

A recent development on the issue may also help us evaluate the situation better. "Iraq's largely autonomous Kurdish-dominated region welcomed in May 18, 2009 an $8 billion natural gas plan from a bloc of European and Arab firms that it said could provide gas for Europe". But the statement was immediately reprimanded by the central government, which said it would not honor any agreement signed without the

> Turkey needs a national champion (state company) to strongly compete for the country's national interests to that end, BOTAŞ should be integrated with Turkish Petroleum Corporation

Map-3: South Stream Project Layout

Figure-1: EU Gas Demand (2005-2030)



backing of the Iraqi Oil Ministry. The gas deal is the latest twist in a long feud between Iraq's central government and the KRG (Kurdistan Regional Government), which has signed almost 30 energy deals with foreign firms that the Oil Ministry deems illegal. Unless the deep conflicts like revenue sharing of the hydrocarbon wealth, the status of the current and future Production Sharing agreements, the fate of Kirkuk, etc. are resolved, expectations of stability and therefore a secure development of the oil and gas reserves reflect nothing more than wishful thinking.

The final "alternative" cited in NABUCCO documents is Egypt, a country that has limited export potential and according to some experts liable to become a gas importer itself in less than a decade.

All these technical, economic and geopolitical facts suggest that the anticipated sources of gas for NABUCCO have limited potentials under existing conditions. This inevitably leads the stakeholders and supporters of the project to turn once again to the dominant supplier, Russia. However, as previously stated, this is antithetical to the *raison d'être* of NABUCCO.

The South Stream versus NABUCCO: Competing or complementary projects?

According to Gazprom, the South Stream Project is "another real step toward executing the Gazprom strategy to diversify Russian natural gas supply routes. The project provides for South Stream's offshore section to run under the Black Sea from the Russian coast (Beregovaya compressor station) to the Bulgarian coast. The total length of the offshore section will be around 900 km and its maximum depth will be over two km. At full capacity it can carry 63 bcm. Two possible routes are under review for South Stream's onshore section from Bulgaria-one, northwestwards and the other, southwestwards".

As the first step for this ambitious Project, Gazprom and Italian ENI, signed a Strategic Partnership Agreement providing Gazprom with the opportunity to directly supply Russian gas to the Italian market starting in 2007. This step was followed by several supplementary agreements and Memoranda of Understanding (MOU) with ENI. Russia then signed an Intergovernmental Agreement securing Bulgaria's (a stake holder of NABUCCO) participation in the South Stream. Agreements for the participation of the Republic of Serbia, Hungary (a stake holder of NABUCCO) and Greece followed. On March 10, 2009, Gazprom and Hungarian Development Bank (MFB) signed a Basic Cooperation Agreement for the South Stream project.

As a final step and within the framework of agreements signed between the Turkish Republic and the Russian Federation, it was announced that Turkey agreed to permit seismic and environmental studies for a possible lay-down of the South Stream pipeline in the Turkish exclusive economic zone in the Black Sea. Some Russian officials claimed that the signature meant more than a permit for seismic and environmental studies. "An agreement has been reached in principle to start construction work", Yury Ushakov, a Russian official said during a press briefing. He said "the Turkish government will also give permission to begin a feasibility study within days". He added that Russia made some concessions on the oil-pipeline (Samsun to Ceyhan) issue in exchange for Turkish concessions on South Stream.

This final step with Turkey was interpreted as a boost and victory for the South Stream over NABUCCO. However, Turkey's PM Erdoğan and the Minister of Foreign Affairs, Davutoğlu dismissed such views that saw NABUCCO and South Stream as rivals. Erdoğan said "I think it will be more appropriate to present the South Stream and NABUCCO projects as diversification rather than alternatives or rivals to each other". When asked whether two major pipeline projects in which Turkey will play an integral role, NABUCCO and South Stream, were rivals, Davutoğlu replied: "No. As we stressed several times before, we do not see such strategic projects as rivaling each other, but instead as complementary to one another. We look at all developments in the fields of energy, transportation, economy and trade with a different perspective".

However these diplomatic and optimistic views do not cover the real picture. A prominent personality in the energy business, Dr. Fatih Birol, the Chief Economist of the International Energy Agency gave a more scientific and realistic response. He said: "The NABUCCO project is important both for us (Turkey) and the EU. The South Stream Project we signed with Russia is also important, but the two will be rivals as Europe is the purchaser for both. There is little chance to build NABUCCO and South Stream at the same time. Trying to build both pipelines at the same time may create problems. European countries are likely to prefer NABUCCO as they do not want to be dependent on Russia". However, Birol didn't comment on whether NABUCCO had the necessary "alternative" supply base or not.

It is worth discussing the issue in scientific and realistic terms. Europe consumed around 540 bcm/y gas in 2008. The expected consumption in 2030 is 816 bcm/y as shown in Figure-1.

Between today and 2030, the EU is expected to consume an additional 250-300 bcm/y. Therefore, at first glance it would seem logical to claim that both NABUCCO and South Stream would be necessary and that the EU would need even additional sources of supply.

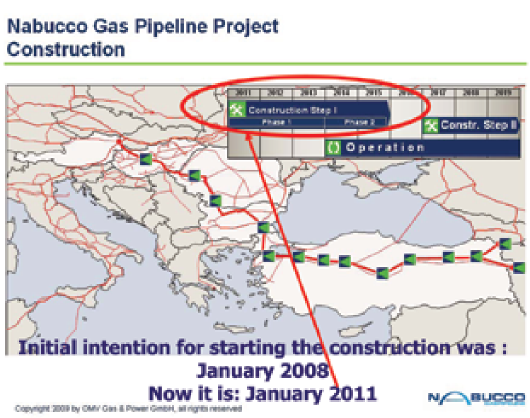
Such is not the case though. Both projects are targeting the same markets like Bulgaria, Romania, Hungary and Austria and trying to reach these markets as soon as possible. "South Stream will transport natural gas from Russia to Bulgaria or Romania and further to Italy and Austria through Greece, Serbia and Hungary. The aim of the pipeline is to bypass the Ukraine which is considered an unstable gas transit route". Needless to add, both projects will also be looking for financing simultaneously from the same sources.

NABUCCO construction is expected to start in January 2011 and the pipeline to be operational in 2014 as shown in Figure 2. "The Russian Deputy Prime Minister, Igor Sechin said that the South Stream pipeline construction is expected to begin in November 2010, Interfax reported".

As stated earlier NABUCCO is expected to cost €7,9 billion while the off-shore section of South Stream alone is projected to cost €8.6 billion. Der Spiegel reported that the cost for South Stream is officially estimated at between €19 billion and €24 billion ($25.6 billion to $32.4 billion). It is nearly three times as expensive as the alternative NABUCCO route. The article also includes Valery Nesterov's (an oil and gas analyst at Russian investment bank Troika Dialog) realistic comments for South Stream: "It's expensive, controversial, and hard to materialize. But at least it has investment guarantees, and a resource base, to be secured by Gazprom... Those costs could now be especially problematic, at a time when the global financial crisis is depressing gas prices and Gazprom's profits".

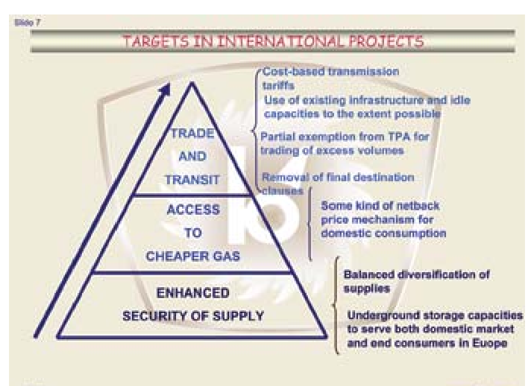
Both projects still face significant obstacles. They are targeting the same markets and if one is built, the other will either have to wait for 10 to 15 years or will never be constructed. International financial institutions will look for reliable supply guarantees and commitments from demanding parties. It is therefore more than "wishful thinking" to expect international financial institutions to provide financing for both projects totalling €30 - 35 billion that will target the same markets. To conclude, NABUCCO and South Stream are rival and not complementary projects for all the above reasons.

Figure-2: Nabucco Project Time Table (Construction&Operation)



Source: *NABUCCO/OMV, Presentation by Reinhard Mitschek, TUROGE, 8th Turkish Intël Oil&Gas Conference, Ankara, March 12, 2009*

Figure-3: BOTAŞ Targets in International Projects



Source: *BOTAŞ presentation by Emre Engürü TUROGE, 8th Turkish Intël Oil&Gas Conference, Ankara, March 12, 2009*

Turkey's expectations and policies/strategies with regard to transit pipelines

In light of the most recent pipeline negotiations and agreements, one would be hard pressed to understand and interpret Turkey's energy policies and strategies. It is also difficult to argue that Turkey has a consistent and professionally designed energy policy that matches the unique geopolitical importance of the country.

Despite Turkey's "natural" potential in several dimensions, there are serious obstacles to be recognized and if possible to be solved before Turkey can really serve as an "energy bridge" or "hub" as the Turkish government officials frequently boast. Among these obstacles are: Turkey's over-dependency on Russian gas (63 percent of imports), binding articles of the existing "take or pay" agreements, inconsistent energy policies, the supply side problems for the alternative gas resources (Azerbaijan, Turkmenistan, Iran, Iraq and Egypt) and the problems on the demand side (EU countries like Bulgaria, Romania, Hungary and Austria, etc..).

It is important to take a look here at the main targets of Turkey's policies with regard to the construction and operation of transit pipelines. The first priority is guaranteing the energy security of the country (Figure-3). Today Turkey consumes approximately 38 bcm/y of gas out of which 98 % is imported. 64 % of those imports come from a single source, Russia. Turkey wants to reduce such dependency by diversifying its sources. NABUCCO is one of the most rational solutions to such over-dependency. This is why Turkey wants to be able to keep a certain amount (15 %) of the gas to be transported through the NABUCCO pipeline (or any other similar transit line). EU officials strongly oppose this demand. They exert pressure on Turkey to limit its position to that of a transit country only. This was one of the biggest sticking points between Turkey and the EU before the signing of the Intergovernmental Agreement for NABUCCO.

Turkey's next priority is to access cheaper gas as it already pays a high price for the Russian, Iranian, Algerian and Nigerian gas that it imports. The only "cheap" supply used to come from Azerbaijan that recently "persuaded" Turkey to raise the price it pays for Azeri gas as well. Finally, Turkey wishes to take advantage of its geographic and geopolitical location and to that end wants to become a trade and transit center (hub). The EU and the stakeholders of NABUCCO strongly oppose this demand as well.

Although Turkish officials insist that they secured more than their demand of 15%, the details of the signed agreement do not support this optimistic and diplomatic interpretation.

The related article (3.3) of the agreement reads as follows: Fifty percent (50%) of the maximum available total technical annual Transportation capacity in the NABUCCO Project, but not more than 15 billion cubic meters per year in the event of a final expansion of capacity to 31 billion cubic meters per year, shall initially be offered to, and if accepted, reserved by the Shareholders, or their affiliates or transferees provided that the remaining capacity will be offered in a transparent, objective and non-discriminatory procedure for Shipper access.

The article clearly states that 50 % of the maximum available volume will be offered to the stakeholders (6 companies, each having equal shares of 16.66 percent) and does not guarantee any volume in specific to any partner. The volumes will be "offered" and at the terminal point (Baumgarten, Austria) without any commitment of volume and/or price to any Party, a competitive sales and purchase process will follow.

Turkey and the recent Russian deals

The protocols that were signed between Turkey and Russia included a diversity of items and projects. We have already discussed whether NABUCCO and South Stream were competing or complimentary projects. Our answer was "They are rival projects and if one is realized the other will either be delayed for 10 to 15 years or buried forever."

One of the most important components of the package is the Samsun-Ceyhan Oil Pipeline Project. If realized, it will relieve the already congested Turkish Straits and cities like Istanbul located along the Straits, of 70 million tons/year of oil tanker traffic that threatens them.

The extension of the 6 bcm/y agreement for 20 years with regard to the Western Pipeline was a necessary deal since it was due to expire in 2011 and it was almost impossible to substitute it with any other alternative source in such a short time. Otherwise, it is of vital importance for Turkey to reduce its over-dependency on Russia as was mentioned.

The extention of the existing Blue Stream Gas Pipeline to Israel is another ambitious project. "We have also discussed the possibility of extending the Blue Stream gas pipeline to Lebanon, Israel and even to Cyprus," Erdoğan said. If realized, the project will no doubt add to Turkey's

> While Turkey has its indigenous lignite, hydropower, wind and solar energy sources as significant alternatives against imported nuclear energy (both in terms of technology and enriched fuel), becoming dependent on Russia in nuclear energy as well defies common sense.

geopolitical value as it will gain the support of two very important actors like Russia and Israel. However, pipelines do not only bring stability and welfare to the territories they traverse but may also be used for destabilization purposes by those who are not happy with such partnerships.

In addition to the concerns raised about these deals, there are significant objections both in Turkey and from abroad to most of the other agreements that were signed. The most consequential of these were the two framework agreements in the nuclear sector. The government announced that it still takes the Russian proposal for constructing Turkey's first nuclear plant under consideration. The negotiations seem to be focusing on the "price" question, which, in my view, is the least important issue in such a deal and can be solved with minor additional effort.

While Turkey has its indigenous lignite, hydropower, wind and solar energy sources as significant alternatives against imported nuclear energy (both in terms of technology and enriched fuel), becoming dependent on Russia in nuclear energy as well defies common sense. Notwithstanding potential political problems that might arise with the US and EU because of such a deal, the Russian proposal should be shelved for the simple reason of avoiding further dependency on Russia.

Turkey should sign agreements with its counterparts only if these serve the mutual interests of the parties. Those who partook of the euphoria generated by the signing of two succesive "Deals of the Century" in just 3 weeks must answer the following questions:

By signing these so called "Deals of the Century",

• Did we move towards balancing our trade imbalance with Russia?

• Did we convince the Russian side to agree to a better price formula (for Turkey) both for the existing and the new deals? For example were we successful in eliminating the gasoil parameter irrationally placed in the existing formula?

• Could we convince our "partners" to pay at least part of our gas bill in exchange for exports to Russia (barter agreement) that had been the initial practice in the 1986 agreement (now being extended)?

• Did we convince them to give Turkey the right of re-export in the existing and proposed agreements? (We had that in our initial agreement with Azerbaijan)

• Did the Russian side agree to reduce the minimum purchase guarantee percentages or at least extend them?

In the final analysis, will our over-dependency on Russia for energy imports be reduced or further increased with the new agreements? Is there a risk for energy dependency turning into economic and political dependency?

• If Turkey awards the nuclear plant project (without any competition) to the Russian company, how would this effect Turkey's energy dependency? How would such a move effect its relations with the US and the EU?

Unfortunately, the answers to these questions are not favorable to Turkey. The agreements reached and signed with Russia will have a net effect of increasing Turkey's dependence on its partner to the North.

To conclude;

The strategic location of Turkey makes it a natural "energy bridge" between major producing countries in the Middle East, the Caspian, Africa and the strong consuming markets of the EU. In addition, Turkey itself is a significant energy importer, which offers an excellent gateway for Europe to diversify its growing energy import needs and dependence on a limited number of source countries.

However despite these converging interests of Turkey and the EU in energy security matters, there are also diverging points that limit the opportunities for cooperation. Our European and American friends should understand that Turkey is not a Central European country surrounded with stable neighbors and settled conflicts. It borders the stirred-up Middle East, has serious problems with Armenia that in turn effects its relations with Azerbaijan. For energy imports it is over-dependent on Russia which has serious and unsettled problems with Georgia (a country through which BTC and South Caucasus Gas Pipeline transport oil and gas supplies). Turkey is a neighbor of Iran whose nuclear ambitions has led to UN sanctions and nearly 20 % of Turkeyís gas supplies and 37 % of its oil supplies come from this country. The list can easily be extended.

Between rich energy sources and thirsty markets, Turkey is a natural bridge. But, we hope that our friends can see that, it is "A Bridge Over Troubled Waters"...

And finally, neither the Intergovernmental Agreement signed for NABUCCO nor the deals signed with Russia are binding in nature. However, Turkey's increasing energy dependency on Russia is a very serious concern.

Turkey has rich indigenous energy sources like hydroelectric, lignite, wind and solar with major percentages still waiting for development. Priority should be given to those sources and not to new deals that will raise Turkeyís reliance on natural gas.

The nuclear power plant bid should not be awarded to a Russian company through a worn-out process. Furthermore, it is totally irrational to make the country additionally dependent on Russia in another subsector like the nuclear.

Turkey needs a national champion (state company). To strongly compete for the country's national interests to that end BOTAŞ should be integrated with Turkish Petroleum Corporation and the new integrated company should have affiliates functioning in the refining, distribution and electricity generation subsectors.

Necdet Pamir *is a Board Member, World Energy Council Turkish National Committee*

CAN NABUCCO IMPROVE TURKEY'S EU MEMBERSHIP CHANCES?

H. Akın Ünver

On Monday, July 13, Turkey finalized the signing of the NABUCCO pipeline project. Perhaps one of the most important milestones in Turkey's energy policy, NABUCCO (named after Giuseppe Verdi's four-movement opera, depicting the story of the Jews fleeing the Babylonian king 'Nebuchadnezzar') is a network of natural gas pipelines connecting Azeri ShahDeniz gas field to a small Austrian municipality *Weiden an der March* (which serves as a major energy transit point for Europe) through Baku-Tbilisi-Erzurum-Ankara, and then into Bulgaria-Romania and Hungary. It is a fairly long pipeline project (almost 2,000 miles) with a fairly large maximum discharge capacity (31 billion cubic meters per year). Construction of the pipeline is expected to commence in 2010; it will connect to the Baku-Tbilisi pipeline in Erzurum through another planned pipeline project (Trans-Caucasian Pipeline Project).

A NABUCCO Gas Pipeline International GmbH was established in 2004 in Vienna in order to oversee the construction of this project and its shares are divided equally between OMV (Austria), MOL (Hungary), Transgaz (Romania), Bulgargaz (Bulgaria) and BOTAŞ (Turkey). It must be underlined at this point, that RWE, E.ON Ruhrgas AG (Germany), Gaz de France and Total (France) also declared their interest in the project. However, following Turkey's strong resistance against French companies as a response to Nicolas Sarkozy's obstructionist role in Turkey's EU membership process, Gaz de France withdrew its interest in the project and Total was refused direct participation. Eventually RWE joined the project in February 2008, whereas France indirectly joined the project through Romanian Transgaz.

As it hosts the longest section of NABUCCO (2,000 km), Turkey emerges as a very important country in European energy policy. Additionally, due to the close link between the EU's energy policy and its Common Foreign and Security Policy (CFSP), this project also brings Turkey into the center of EU's external relations. Indeed Europe's large volume of energy demands (around 90% of oil and 40% of its total gas demand) necessitate playing diplomatic tugs-of-war with potentially uncooperative countries such as Russia and Iran. This, in turn, brings Turkey's excessively used and abused 'geo-strategic importance' back into Europe's policy calculations, leading to a discursive 're-Cold War-ization' of Turkey's importance to the West. In this picture, Turkey not only acts as a passageway to the NABUCCO gas pipeline which will provide around 5% of the EU's gas demands, but it also sits at the center of a hub of foreign policy and energy interests connecting the Middle East, Central Asia, the Mediterranean and Europe; a situation which will have diverse implications such as how Turkey will act with regard to the Iranian nuclear program or deal with Russia's energy interests articulated by Gazprom.

Excitement over NABUCCO: Is it reasonable?

The strategic implications of the NABUCCO project aside, many commentators evaluated this agreement within the context of Turkey's newly gained advantage with regard to

Europe's energy policy and how this might affect Turkey's almost half century old EU membership vocation. The Turkish press appears to be overwhelmingly optimistic about the prospects of this pipeline project. Almost all of the Turkish newspapers had an optimistic headline about the NABUCCO agreement; a smallish pro-government newspaper *'Bugün'* for example chose the headline 'Handcuff to Europe', certain that the project will render the EU subservient to Turkey's membership demands, while some others considered this to be 'the agreement of the century'; the only exceptions perhaps, were the nationalist-secularist *'Cumhuriyet'* (which referred to the signing as 'Troubled agreement') and militant Islamist *'Vakit'* (which had an optimistic title, but unlike other newspapers, gave the event little space). Major newspapers such as Hürriyet, Milliyet and Sabah also mentioned the agreement in a positive and encouraging fashion on their front pages.

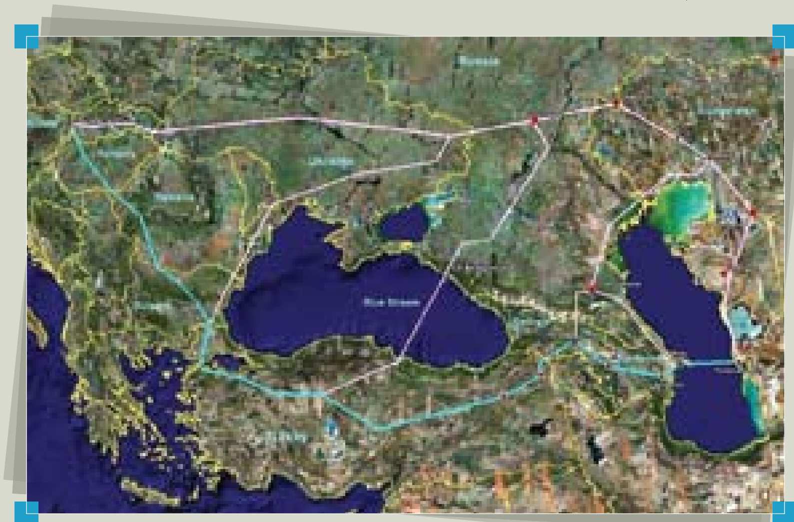
Of course, the NABUCCO pipeline project bestows upon Turkey considerable leverage (as well as responsibility) in its dealings with the European Union. It most specifically complicates matters for the right-wing parties of Europe. Their discourse on Turkey's European credentials have been articulated by Nicolas Sarkozy and Angela Merkel. Turkey's half-century old EU vocation reveals that Europe's left-wing parties' position on Turkey's membership has a principled policy dimension (not objecting to Turkey's involvement as long as it improves the situation of its Kurdish population, undertakes political-legal reforms and abides closely by the Copenhagen Accession Criteria). In contrast many European right-wing parties' position takes shape along an ideological and culturalist (if not orientalist) axis that categorically refuses to admit Turkey into the European Union 'simply because Turkey does not belong to Europe', even if it fully complied with the Copenhagen criteria. The latter discourse is also frequently adopted by the current administration in Cyprus, which remains perhaps the only country that opposes Turkish membership in the EU regardless of the political orientation of its administration.

The rise of the political right in Europe (partially as a response to the global financial crisis) reflected in the current composition of the European Parliament following the June 2009 elections will undoubtedly reinforce the ideological-categorical opposition to Turkey's EU membership. In this context it is of course understandable that many Turks perceive NABUCCO as a wild card that would break what they regard as the stubbornness of the European right and would render negotiations more just and egalitarian; a position that was mirrored by a DC-based analyst when he wrote: *"Geographically, Turkey is more European than Cyprus, it is wealthier than Romania, its human rights record is as good as Slovenia, and it's not that much bigger than Poland. So what's the problem?"*

Arguments on NABUCCO: A reality check

Notwithstanding the leverage that NABUCCO provides, one has to consider several points before singing the 'Europe

THE PROJECT WILL WEAKEN EUROPEAN CULTURALIST ARGUMENTS AGAINST TURKEY'S MEMBERSHIP, BUT AT THE END OF THE DAY, TURKEY WILL OR WILL NOT BE GRANTED MEMBERSHIP DEPENDING ON HOW WELL IT FARES WITH ITS POLITICAL-LEGAL REFORMS AND HOW WELL IT MEETS THE COPENHAGEN CRITERIA.



needs Turkey' tune. First of all, even at its maximum discharge capacity, NABUCCO will not provide more than 5% of Europe's energy demands. This is a rather small contribution to European energy imports, when compared to Russia's Gazprom whose exports meet almost 60% of Europe's gas needs. Second, no matter how high of a percentage of European energy demands are met by the NABUCCO pipeline, the Copenhagen criteria do not include an article stipulating, "any country that provides 30% of the EU's energy demands will be granted membership".

It is indeed true that the project will weaken European culturalist arguments against Turkey's membership, but at the end of the day, Turkey will or will not be granted membership depending on how well it fares with its political-legal reforms and how well it meets the Copenhagen criteria. In that context, the statement by a senior Turkish official that *"the Davos spirit will serve as the basis of Turkey's EU negotiations"*[1] shows that Turkey may quite easily slip into a 'NABUCCO complacency' in its dealings with Europe. Furthermore, although NABUCCO will of course strengthen Turkey's hand, if Turkey overuses the 'NABUCCO card' in its dealings with Europe, it will render the process vulnerable (or even hostage) to Russian and Iranian interests, as both countries would be eager to act as a wedge in Turkey-EU relations. Russia would be interested in gaining political advantage over the EU through its energy pricing policy, whereas Iran would want to use the opportunity to break its economic and diplomatic isolation orchestrated by the United States. It will court Europe to join the NABUCCO network and export its gas, without cooperating with the International Atomic Energy Agency on its nuclear program. This means that, if Turkey relies overwhelmingly on the NABUCCO advantage, it will unwittingly 'Moscow-ize' and/or 'Tehran-ize' its EU membership process in the long run.

NABUCCO and the accession process

More specifically, Turkey's accession process may be influenced by Russia. Moscow can offer Turkey better short-term strategic alternatives for cooperation (for example in the energy sector). Such cooperation may be undertaken by the Russian elite in order to lure Turkey away from close strategic cooperation with the European Union's CFSP towards the Central Asian Turkic republics. As mentioned earlier, sustained Russian influence in those countries (the most important being Turkmenistan, due to its large gas resources) is of highest strategic importance to Moscow, since it aims to buy uncompetitively priced Central Asian gas and maintain a monopoly over gas pricing policy. The EU on the other hand aims to break Russian influence in those countries so that it can buy more competitively priced gas through Gazprom. American policy of course, converges greatly with the European Common Foreign and Security Policy (CFSP) and it is particularly at this point that Russia may exert its influence over Turkey to undermine its willingness to cooperate with the EU. With regard to Iran on the other hand, Tehran may use its good relations with Ankara in order to start exporting gas through Turkey without first reaching a settlement with the International Atomic Energy Agency (IAEA), by offering lucrative short-term agreements (such as oil and gas exports for Turkey's own use) and pull Turkey away from the CFSP and American policy towards Iran. Other criticisms include the fact that there is no readily available gas supply that can be transferred through NABUCCO and additional negotiations and pipeline constructions have to be made before NABUCCO can become a credible policy tool.

On the other hand, NABUCCO's real impact on Turkey's EU membership process will not come through its energy capabilities, but through its indirect political and strategic implications. One of the most important of these implications is strategic: although Russia sends 80% of its European gas exports through Ukraine, the conflict between the two countries that started in March 2005 over transit prices forced Russia to diversify its gas transit routes into Europe. When Europe-Russia energy link got disrupted as a result of Russian-Ukranian political tensions, Turkey emerged as an ideal second option that would be willing to pursue good relations both with Russia and the EU. Therefore, it would be safe to argue that Turkey's real worth to Europe is not NABUCCO per se, but its foreign policy capital and its potential to act as a less problematic transit hub between Russian gas and European energy markets.

A step in this direction was taken when on August 6, 2009 Vladimir Putin visited Turkey and signed the South Stream project, which will pass through Turkish territorial waters in the Black Sea and continue up to Austria in the north and Italy in the south. This of course, is a longer-term prospect and will not grant Turkey immediate advantage for the EU accession negotiations. Additionally, although many experts indicate that South Stream will become a rival to NABUCCO, given the high volume of European energy needs and the volatility of Russo-Ukranian relations, these two projects may as well end up as complementary, rather than rivals. In this scenario, Turkey may act as a very important mediator in EU-Russian relations.

Second, as I briefly mentioned before, NABUCCO will render Turkey more advantageous in EU membership negotiations, most specifically in the energy policy chapter. Currently, negotiations on this chapter remain blocked largely due to the Cypriot administration's intransigence. This understandably frustrates Turkey's negotiators intensely, causing Prime Minister Recep Tayyip Erdoğan to warn that Turkey may reconsider hosting the NABUCCO project if the EU negotiations do not proceed on an egalitarian and reasonable manner. The Turkish government believes that the main impediments to the negotiation process are the Sarkozy administration in France, the Merkel government in Germany and Cyprus.

It may be necessary to insert a note here on the French and German opposition to Turkey's membership. That opposition is administration-sensitive: previous Chirac and Schroeder administrations in France and Germany respectively had supported Turkey's membership. The current opposition does not have any policy-related perspective (for example if Turkey engages in a reform process), but is essentially categorical (Turkey cannot become an EU member no matter what it does). Turkey finds this approach discriminatory (some even pronounce the word 'racism') since the Franco-German opposition will remain as stiff even though Turkey undertakes all of the reforms mentioned in the Copenhagen Criteria. Furthermore, the scene gets even more frustrating as the EU admitted countries that have a worse human rights record, lower level of democracy, more problematic economies and one country that has higher population density than Turkey (Poland) during its most recent expansion.

Most Turks believe that the EU is engaged in a policy of double standards vis-à-vis Turkey's accession. Countries with no better human rights record than Turkey, or in worse economic conditions were admitted. The open-endednesss of the process and the capacity of the EU for absorption have been continuously reiterated in ways that no other candidate country had to face before. Furthermore upon the insistence of France some articles were not opened for negotiations because closing them would imply "full membership" as if the negotiations were meant to be an exercise in futility. This belief in a double standard is shared by many politicians and technocrats within the Turkish state. The general explanation for this state of affairs is that the EU doesn't accept Turkey 'just because it is a Muslim country' and even if Turkey fulfilled the Copenhagen criteria, the EU would not admit Turkey.

In this context NABUCCO emerges as a key policy item in Turkey-EU membership negotiations for those who believe that Turkey's role as an energy transit country will weaken arguments within Europe that oppose Turkey's membership regardless of its reform and democratization performance. In other words, those in Turkey who doubt the EU's willingness to ultimately admit Turkey, emphasize Turkey's strategic utility and importance as an energy transit country. In doing so, they highlight the contribution Turkey can make to EU's CFSP, which is criticized by many (especially the United States) as being a 'toothless tiger'; a policy that has very little application and practical utility.

Because of the difficulties faced in the winter of 2005 and 2007 when the Russo-Ukrainian crisis disrupted the flow of Russian gas into Europe, the European public is more than aware of the consistency and reliability factor in gas transit

countries and might look at Turkey from a different perspective. The real and concrete necessity of steady and uninterrupted gas flow into Europe has the potential to weaken anti-Turkish factions in Europe, opening up the possibility of Turkish membership to the EU once it fulfills the Copenhagen Criteria. This however, should not be interpreted as an attempt to 'blackmail' or a 'threat' as Manuel Barosso had claimed. The proper use of the 'NABUCCO card' should eliminate unjust and unreasonable objections to Turkey's membership (such as Turkey being a Muslim country and it is not 'European' enough). It should also elevate the negotiations into their proper context where they belong (as it has so far been the case with other members): Copenhagen Criteria.

The American dimension

The third issue concerns US policy and the dynamics of American support for Turkey's EU membership aspirations. As Russia meets much of Europe's energy demand, this gives Moscow considerable political leverage in its relations with Europe; a situation that Russia intends to maintain. In order to guarantee this position, Russia exerts pressure on Central Asian producers to sell their gas only to Russia, which necessitates that pro-Moscow forces remain in power in those countries. This situation undermines American and European policies towards Central Asia that aims to break the Russian monopoly over gas and reduce prices and transit costs. This situation brings other gas producing countries into the picture that don't have to sell their gas to Russia.

THE REAL POWER OF THE NABUCCO PIPELINE PROJECT IS NOT THE FACT THAT IT IS A GAS TRANSIT PROJECT THAT COVERS A SMALL PORTION OF EUROPEAN ENERGY IMPORTS, BUT ITS POTENTIAL TO ACT AS A POLITICAL, ECONOMIC AND CULTURAL INCENTIVE FOR THE COUNTRIES IN THE MIDDLE EAST TO JOIN THE INTERNATIONAL COMMUNITY THROUGH ANOTHER MUSLIM COUNTRY: TURKEY.

The most important of those countries is Iran, which has the largest gas reserves in the world (18% of the world's gas reserves) after Russia and Turkmenistan. However, Iranian gas export infrastructure is not as developed as its oil export infrastructure. Moreover Iran uses almost all of its gas resources (360 million cubic meters per day) for domestic consumption, leaving very limited amount of gas for export. In a February 2009 deal, Turkmenistan agreed to double its gas exports to Iran, a total of 650 billion cubic meters per year, which may enable Iran to start exporting gas through NABUCCO. Although Iranian officials repeatedly declared their interest in joining the NABUCCO network, Iran's nuclear ambitions render it an unpopular source for Europe, specifically because of American policies of isolation towards Iran. Whether Iran will end up joining NABUCCO or will export its gas to Europe through other channels appears to be connected to its full cooperation with the International Atomic Energy Agency (IAEA).

Just as in the case of EU-Russian relations, Turkey might become a mediator and broker in EU-Iran relations and attempt to socialize Iran into the international community. Turkey's rationale for its foreign policy towards Iran rests upon the belief that normalization of relations with Tehran will not come through pressure, but through engagement with and socialization of the Iranian administration. On the medium-term, it is believed that Iran might become a credible source of gas that might curb the Russian monopoly. The potential of Turkey's 'soft power' and influence over Iran is viewed positively (albeit also cautiously) in Washington. One view in Washington even suggests that the Obama administration might find additional motivations to apply pressure on the intransigent forces within the EU towards Turkey's membership, pointing to Turkey's utility with regard to the Iranian nuclear program. Although this is not an official policy in the current American administration, such possibility is nonetheless pronounced and appears to be an option.

Similarly, the prospect of Iraq (especially northern Iraq), Jordan, Egypt and Israel joining the project as probable suppliers renders Turkey as a true energy hub between Europe, the Caucasus and the Middle East - which certainly strengthens American policy of supporting Turkey's EU membership [2]. In other words, one of the main geo-strategic implications of NABUCCO is its possible connecting role between Europe, the Caucasus and the Middle East, creating a mutual dependence that might spill-over to political cooperation. A recent development in this direction came in late August during the visit of Amir of Qatar, Amiri al-Thani to Istanbul, where he mentioned the possibility of a Qatar-Turkey gas pipeline. The AKP administration became so enthusiastic about the possibility of this project, that some of the official statements on this proposal sounded as if the project agreement was already signed. Although the proposal is only an idea at the moment, it does nonetheless offer a good perspective on the prospects of regional cooperation along energy policy lines. If a greater coalition of pro-cooperation countries in the Middle East could be mustered, the process might render Turkey as a facilitator in this process. More specifically, Turkey can offer a more culturally similar option as a hub to the Middle Eastern countries that want to export their energy resources to Europe. In return, Turkey can also act as a facilitator between CFSP technocrats and the states in question. Ultimately the real power of the NABUCCO pipeline project is not the fact that it is a gas transit project that covers a small portion of European energy imports, but its potential to act as a political, economic and cultural incentive for the countries in the Middle East to join the international community through another Muslim country: Turkey.

Concluding assessment

Due to the high volume of European energy demands, an increasing number of observers argue that NABUCCO will not be a rival project to Gazprom projects such as the South Stream (co-owned by E.N.I), but a welcome alternative both for the EU and Russia that aim to diversify gas transit routes. Furthermore, the fact that the NABUCCO project will need some time before it can become a meaningful energy transit route sustains the Russian monopoly over European gas supplies. In many ways Russia has a steady supply of gas, transit experience, institutional and corporate know-how, which will render it as the most important supplier for the foreseeable future. Also, even at its maximum discharge, NABUCCO cannot do what Gazprom does and will at best serve as a short-term gas transit route in the case of short-term crises, similar to that between the Ukraine and Russia in the winters of 2006 and 2007. Furthermore, the NABUCCO project still relies on pending gas supply agreements and additional pipeline construction projects that could render it meaningful only by 2015.

It is true that NABUCCO will provide some advantage to Turkey in its EU membership process, but this will not come through NABUCCO's gas output (which will cover 5% of Europe's demands at best), but through its geo-strategic value. First, NABUCCO makes Turkey a welcome alternative to the Ukraine as an energy transit country, due to its good relations with Russia and the EU; Turkey has the possibility to act as a mediator during Russian and European energy negotiations.

Second (although this might be viewed as a long shot argument and at best will have meaning if Turkey continues with the reform process) NABUCCO has the possibility to weaken anti-Turkish forces in Europe that threaten Turkey and wish to block its accession negotiations. However, even though NABUCCO ends up giving more leverage to Turkey than people expect, it will still not create a situation that the Turkish foreign policy elite hopes. NABUCCO will certainly not render Turkey indispensable to Europe and it will certainly not make Europe 'need Turkey'. Therefore, NABUCCO can at best be a supporting argument

for Turkey's EU membership, which can only occur if Turkey fulfills the Copenhagen criteria and makes visible progress in its reform process. If the current foreign policy motto 'NABUCCO will render the EU subservient to Turkey's membership demands' takes root, it will lead Turkey into all sorts of trouble and will create a baseless superiority complex and lethargy in Turkey's EU membership drive. On the other hand, NABUCCO's concrete utility to Turkey might be the re-grounding of Turkey's membership negotiations on where they belong: Copenhagen Criteria and not vague arguments such as 'Turkey is not European'.

Third, NABUCCO may strengthen American support for

ALTHOUGH IRANIAN OFFICIALS REPEATEDLY DECLARED THEIR INTEREST IN JOINING THE NABUCCO NETWORK, IRAN'S NUCLEAR AMBITIONS RENDER IT AN UNPOPULAR SOURCE FOR EUROPE, SPECIFICALLY BECAUSE OF AMERICAN POLICIES OF ISOLATION TOWARDS IRAN.

Turkey's EU membership as the pipeline project has the potential to be more than just an energy transit project; it can create a mutually beneficial link between Europe and the Middle East. This energy cooperation may later spill-over to political and social areas as happened through the process of European integration and Turkey may assume the leading facilitator role in this process. Just as the project has the potential to weaken intransigent forces in Europe, it may also end up doing the same to the authoritarian administrations in the Middle East - although this is not the intended effect.

Therefore, no matter how advantageous NABUCCO may prove to be for Turkey, it can only be one of many supporting arguments in Turkey's EU negotiations. When we talk about NABUCCO and Turkey's EU membership, we must understand that everything ultimately comes down to the Copenhagen Criteria and how successfully Ankara can adopt the *acquis communautaire*. As long as Turkey's ruling AKP stays committed to the reform process and works towards meeting the EU accession criteria (not 'because the EU wants them', but because they bring Turkey closer to what it wants to be) NABUCCO will remain an invaluable asset. Only by diligently pursuing the reform process in tandem can NABUCCO become the tool of leverage that Turkish decision-makers hope it will be. Otherwise, not only NABUCCO will not ensure Turkey's EU membership by itself, it will also bring unstable and potentially problematic countries into the equation of Turkey-EU relations.

The European Union on the other hand, must decide what kind of a role it wants to play in the wider region. Does it want to remain isolated and render its CFSP an 'empty house', or will it pursue a more active and engaging policy? The victory of the political-right in the most recent European Parliament elections may create a situation in which the former option is more pronounced. However, if there is any drive in the EU to lean more towards the latter option, then there has to be a long, serious discussion evaluating the wide array of foreign policy options Turkey provides to Europe. Only by increasing the level of cooperation with Turkey's 'soft-power' in the region and refraining from disheartening and weakening Turkish reformists (by abruptly claiming that they will block Turkish membership regardless of Turkey's reform efforts) can the EU fulfill its role as promoting democracy and reform in the wider region.

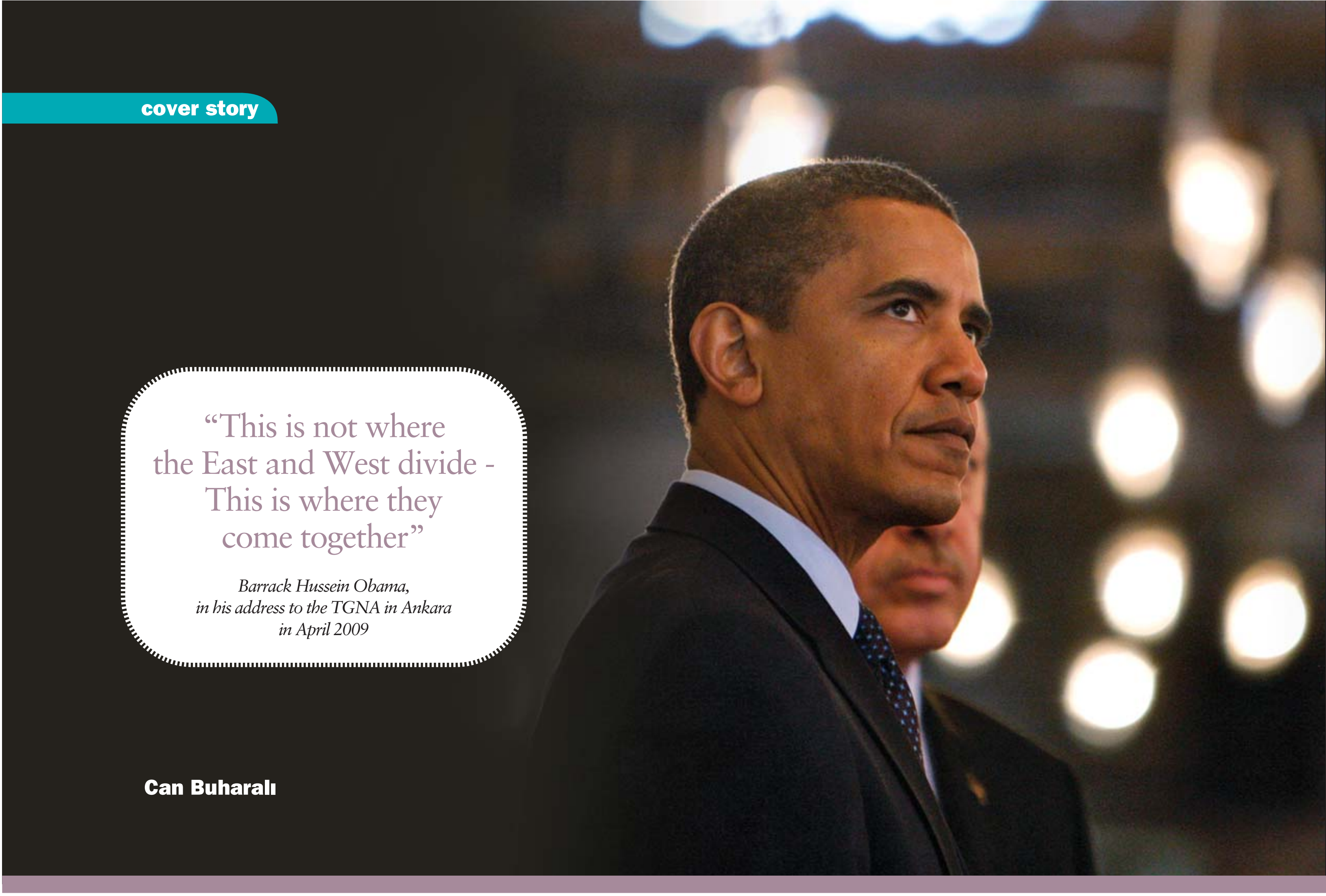
H. Akın Ünver *is a PhD candidate at the University of Essex and a visiting lecturer at the School of Arts and Social Sciences; Sabancı University, Istanbul. He can be reached at haunve@essex.ac.uk*

[1] *This refers to Turkish prime minister Recep Tayyip Erdoğan's outburst against the Israeli president Shimon Peres' comments on the Gaza war during the World Economic Forum meetings in Davos; January 2009.*

Al-Mansuriyah, Akkas, Khashem Al-Ahmar, Jaria Pike, Kor Mor, Akkas and Chemchemal gas fields are currently under development around Kirkuk. http://www.eia.doe.gov/emeu/cabs/Iraq/Full.html

[2] *Risha gas field in eastern Jordan is currently the only Jordanian gas production site. Recently, the British Petroleum and American Andarko corporations are in competition for extraction rights from this reserve. https://www.rigzone.com/news/article.asp?a_id=66105*

In early 2009, Israel discovered its largest-ever natural gas reserve off the Haifa coast and named it 'Tamar-2' drilling site. The reserves are currently declared around 180 billion cubic meters. http://www.haaretz.com/hasen/spages/1098665.html



> “This is not where the East and West divide - This is where they come together”
>
> *Barrack Hussein Obama, in his address to the TGNA in Ankara in April 2009*

Can Buharalı

The image of the United States in Turkey has steadily deteriorated for a decade. The evidence for this deterioration started to accumulate as different organizations started to poll the Turkish public on a variety of issues and tried to determine the extent of anti-Americanism among other things.

The German Marshall Fund of the United States (GMF) first included Turkey in its Transatlantic Trends survey in 2004. Later that same year the European Union decided to begin accession negotiations with Turkey. This was a rather stormy period in Turkey-US relations. The Turkish Parliament’s decision to deny access to US troops on their way to Iraq in March 2003 came as a shock for Washington and some senior administration figures never forgave Turkey and particularly the Turkish military for this act of “betroyal”.

In July 2003, it was the turn of the Turks to seethe with anger because of what is known in Turkey as the “hood incident”. On July 4th that year American troops in Iraq captured a number of Turkish military officers from their operating base in the city of Suleimanieh and took them into custody with hoods over their heads. Although the incident had little coverage in the US, it generated shockwaves in Turkey and was considered an intensely hostile act and cause for humiliation by citizens and officials alike. One could understand why there was little warmth towards the US in Turkey in 2004. What necessitates further analysis though is why warmth towards the US kept declining in the remaining years of the Bush administration.

The Obama rebound

The US invasion of Iraq in 2003 was indeed a key turning point for the negative perception of the US by the Turkish public. Even prior to the “hood incident”, Iraqi Kurds’ privileged position for the Americans during the occupation generated a lot of resentment in Turkey. Things have taken a turn for the worse when the PKK (Kurdistan Workers Party) took advantage of the power vacuum in northern Iraq and intensified its terrorist attacks inside Turkish territory. The Bush administration’s unilateralist approach in international relations caused consternation as well. Many pundits as well as ordinary citizens were quite convinced that the US favored the establishment of an independent Kurdish State in the north of Iraq. Such a development, they feared, would have a destabilizing effect in the southeast of Turkey that has a predominantly Kurdish population. Furthermore, the Bush administration’s Greater Middle East project and the “model country role” tailored for Turkey caused outrage among many Turks whatever their political allegiances.

TURKEY AND US from shallow to deep waters

Following the meeting between Prime Ministeer Erdoğan and President Bush on November 5th 2007, there began a visible shift in American policy towards Turkey on the particular issue of the PKK. Negative perceptions started to soften with the US political and intelligence support for the Turkish military's counterinsurgency operations against the PKK in northern Iraq. In the meantime, the US has managed to help reinstate cooperation between Turkey and Iraqi Kurdish authorities. Already these relations were taking a turn for the better for at least two reasons: economic relations and Kurdish security. Trade relations between Turkey and northern Iraq have improved considerably and steadily in the last few years. Turkish companies are now active in the region and are operating major oil fields through concessions extended by the Kurdish regional authorities. Oil produced in Iraqi Kurdistan is now exported to the world through the pipeline that runs between Kirkuk and Turkey's Ceyhan port. A Turkish company is building the first oil refinery in the region. The fact that the American forces will withdraw from Iraq by the end of 2011 also led the Kurds to look for allies that can help them maintain their largely autonomous political status within Iraq and live in security.

Although there was no GMF survey in 1999, it is fairly easy to assume that feelings for the US were a lot warmer back then. That year the Clinton Administration provided political and intelligence support to Ankara for the capture of Abdullah Öcalan, the leader of the PKK, in Kenya. Turks showed their affection for President Clinton during his visit to Turkey in the Fall of 1999. The US State Department's own polls showed that over 50% of Turks supported the US in that period.

Today there appears to be a serious window of opportunity before Turkey and the US for bringing bilateral relations to a new plateau. GMF surveys in 2008 and 2009 indicated a cautious increase in the warmth towards the US in Turkey, with temperatures at 14 and 22 respectively.

President Obama's election as well as the intensive cooperation in fighting PKK terrorism contributed to improving the public's perceptions of the US. Barack Hussein Obama managed to aspire sympathy and fondness among Turks, not only because of his familiar middle name and personal history and connections with the Muslim world, but also because of the hopes he engendered for change almost everywhere else in the world.

His visit to Turkey in April 2009 was politically symbolic since it was part of his first European tour during which he participated in various multilateral meetings (G-20, NATO and EU).

President Obama briefly highlighted the issues at stake for the West in his address to the Turkish Grand National Assembly

(TGNA) in Ankara. He particularly praised Turkey's role in NATO and her contributions to peacekeeping operations. Obama reiterated that Europe, US and Turkey shared common security interests. He supported Turkey's bid for membership in the EU much to the chagrin of his French counterpart in particular. He also underscored the importance of continuing to improve Turkish democracy, rule of law and of securing minority rights. As a show of good will in that direction he asked that the Halki Seminary, an orthodox theological school in Istanbul, closed since 1971 be reopened. Obama's message was clear: the US backs the EU's requests for enhanced political reforms in Turkey and in turn supports Turkey's membership in the EU. This message can be considered more elaborate than the earlier US calls for Turkey's membership, that emphasized almost exclusively the strategic and security dimensions.

Considering his standing during the election campaign on the thorny issue of the "Armenian genocide" he did not surprise anyone when he said "reckoning with the past can help us seize a better future", in reference to the fate of the Armenians in 1915 and when he asked for full normalization of relations between Turkey and Armenia. Almost 3 weeks after this speech in Ankara, Obama issued a statement on the 24th of April that stated:

"Ninety-four years ago, one of the greatest atrocities of the 20th century began. Each year, we pause to remember the 1.5 million Armenians who were subsequently massacred or marched to death in the final days of the Ottoman Empire. The *Meds Yeghern* must live on in our memories, just as it lives on the hearts of the Armenian people".

As such the President avoided the use of the term "genocide", but used the Armenian term "Meds Yeghern" (Great Calamity) in describing the events and in a way kept his promises to his Armenian-American constituents.

Shortly after Obama's visit, Turkey-Armenia relations have entered a new era. This period actually began with the so-called football diplomacy in September 2008 when President Abdullah Gül went to the Armenian capital Yerevan to watch the two countries' soccer teams play for World Cup qualifiers. Indeed the two countries' diplomats had been working on reconciliation for some time behind closed doors with the help of the Swiss in Geneva.

Turkey was actually among the first countries that recognized Armenia after its independence in 1991. However, the two countries do not have diplomatic relations and the Turkey-Armenia border was closed shortly after independence in 1993 due to the occupation of Azeri territory by Armenia as a spillover of these two nations' conflict over Nagorno Karabakh. This was meant to show Turkey's solidarity with Azerbaijan. Turkey's aim was to pressure Armenia to pull back from the occupied Azeri territories surrounding the Karabakh region. The border remained closed since then, as Armenia did not pull back from the occupied territories. Turkey's ethnic and cultural relations with Azerbaijan, strengthened with energy cooperation, in a way dictated that the border remain closed. There are on the other hand direct flights between Istanbul and Yerevan.

Turkey's priority still lies in preventing a US/Israel military attack against Iran. The main argument there is that a war in Iran would have direct and immediate negative consequences for Turkey and it would be more difficult to set things right for a long time to come.

The "soccer diplomacy" is now likely to bring further openings. Since the first game, the two governments have managed to agree on a set of protocols for resuming the diplomatic relations and for reopening the border. The protocols were signed in Switzerland on the 10th of October by the two Foreign Ministers. Present in the room, standing right behind the signatories were the Foreign Ministers of Switzerland, Russia, France and the US as well as the EU High Representative. The protocols will subsequently be submitted to national parliaments for ratification. The border will reopen 2 months after ratification.

The protocols also call for the establishment of various bilateral committees as regards political consultations, transportation, communication and energy networks, legal issues, trade relations. Most importantly and controversially for the Armenian side they call for assembling a committee of historians to look into thorny historical issues, including the events of 1915.

The linkage between the reopening of the borders and an end to Armenia's occupation of Azeri territories is not articulated in the protocols. But Prime Minister Erdoğan on a visit to Baku in April 2009 strongly reiterated just such linkage. It seems the protocols were already agreed by then but not yet made public. This means that there will probably be further negotiations between the signing of the protocols in October and their ratification in the respective parliaments. Undoubtedly the process of normalization will go parallel to the progress in negotiations between Azerbaijan and Armenia. Yerevan may consider pulling back from the surrounding Azeri territories. This requires active support and encouragement from the international community. Washington has a critical role to play here. If it can help both processes go forward the US would ease the domestic pressures on the Turkish government, deepen stability in a strategic region like the Caucasus and reduce Russian control and political clout over Armenia. Benefits for the energy transit routes are also far from negligible.

Improvements in Turkey-Armenia relations is also expected

to diminish the Armenian Diaspora's pressure on Congress and President Obama to a considerable extent. If the Turkish side does not commit grievous errors in managing this file, a "Genocide Bill" is unlikely to be submitted to Congress. This in turn will save the all-important relations between the US and Turkey from becoming hostage to that issue, at least for a while. Therefore should things proceed smoothly on that track, the "Armenian issue" will cease to be problematic between the US and Turkey.

It is with this understanding that Secretary of State Hillary Clinton took an active role in overcoming a last minute obstacle before the signing of the protocols in Switzerland. The importance attributed by the US to the rapprochement between Turkey and Armenia can be linked to the central role Turkey is expected to play in the new US approach towards the region.

Iraq has long been a deep source of conflict and mistrust between the two allies. As mentioned earlier, the decision of the Turkish Parliament not to allow the deployment of American troops on Turkish soil generated a lot of bitterness on the American side. So did the Suleimanieh incident for the Turkish side. Furthermore, the Turkish public and the officialdom were also weary about the future of Iraq and feared the creation of an independent Kurdistan. Nowadays, the Iraq issue is less likely to generate complications in the relations between the two allies. In the short run the worst days seem to be over. Since the occupation is likely to come to an end by the end of 2011, Turkey intensified her efforts for better relations with the Iraqi Kurds. The dialogue and cooperation between the two sides improved considerably capped by the official visit of the Turkish foreign minister in Iraqi Kurdistan and the eventual opening of a consulate in Erbil. The diplomatic rapprochement is reinforced by a rapidly rising volume of trade and intensive bilateral economic activities. Under these circumstances Ankara's expectation that the Iraqi Kurdish authorities will be more forthcoming in their efforts against the PKK's use of northern Iraq as a forward base against Turkey will materialize.

The Turkish government is working on a comprehensive plan, including domestic measures for resolving its Kurdish problem. There are efforts to back this with a set of international arrangements with Iraq, Syria and Iran in order to make it a lasting one. US political and intelligence support will continue to be critical for this purpose. Some experts like Henri Barkey argue that the US can even play a role in demobilizing the PKK. Barkey says "Thus the US can help demobilize the PKK by acting as a trusted go-between. The PKK is unlikely to give up its arms to the Turkish military, but it might to American forces which, in turn, could offer iron-clad verification that both the Turkish government and public would trust. US diplomats can ensure that a few PKK leaders find refuge far from the region, and reassure Ankara that the pro-American KRG will prevent anti-Turkish insurgents who are in Iraq from engaging in any future mischief. This way many PKK insurgents can also return home to their families and Turks can begin to discuss domestic political reforms to expand the Kurds' cultural rights without the specter of violence hanging over".

Obviously if the Turkish Government's plans regarding the Kurdish problem fail for one reason or another, pressure may not only mount in the predominantly Kurdish southeast of Turkey but also in northern Iraq. An intensification of terrorist activities in particular would force Turkey to resort to defensive measures including military ones. The American role under such circumstances would become more delicate, particularly after the pull back. On the other hand, it is now becoming clear that a substantial number of US combat troops will be leaving Iraq through the Incirlik Air Base in Adana-Turkey. The Turkish media reported that Incirlik was preparing for a large-scale evacuation plan. The use of the Incirlik Base for that purpose would contribute to further improving bilateral relations.

The Iran story

There are still other issues articulated by President Obama in Ankara that can be considered potentially difficult to address. Such first poisonous issue is Iran. Iran is a difficult but important actor in a large region covering the entire Middle East and the Gulf, as well as Central Asia and the Caucasus. Tehran has a set of deep-rooted interests and relations throughout this region. Its relations with Turkey go a long way back. Iran and Turkey share a common border and relations between the two have been cumbersome throughout their common history. Causes for conflict included ethnic and sectarian rivalry and competition. Yet, in time they have also learned to respect one another despite their differences. One needs to have a good knowledge and appreciation of this history to understand the dynamics of the relations between Tehran and Ankara today. Such complications highlight the difficulties that the Iranian problem pauses for Turkey.

Bilateral relations have never been so extended, so close or so complicated as today. The two allies are now bound to overcome the negative feelings of the Iraqi episode and are getting ready to work together towards achieving common goals.

There is no doubt that an Iran in possession of nuclear weapons is not welcome news for Turkey. Not only because such a development will fundamentally alter the delicate strategic and military balances in the region, but also because eventually this would force Turkey to reconsider her own nuclear policies. Indeed Turkey's President, Prime Minister and Foreign Minister all clearly said they are in favor of a Middle East without Weapons of Mass Destruction.

Should Iran succeed in its nuclear ambitions, it would in time become a pole of attraction in the region. This would have adverse effects on Turkey's plans in the region. Turkey's new Foreign Minister, Professor Ahmet Davutoğlu is keen on building a better and stable order in all Turkey's neighborhoods. A nuclear Iran would not be compatible with that scenario. There is also a domestic dimension to Iran's nuclear program and the probability of Tehran acquiring nuclear weapons. The GMF's Transatlantic Trends Survey for 2009 is alarming. The percentage of the Turkish public willing to accept a nuclear Iran has risen from 16% to 29% in just one year. This figure is only 5% for Americans and Europeans. Together with a drop in the percentage of those who believe in the necessity of NATO for Turkey's security, (down from 53% in 2004 to 35% in 2009) Turks risk becoming increasingly isolationist. Therefore should Iran succeed in acquiring nuclear weapons technology, there will eventually be many in Turkey, obviously unaware of Turkey's strong international commitments, who would wonder why their country does not do the same. This in turn will inevitably harm Turkey's relations both with NATO and the EU.

In spite of these concerns Turkey's priority still lies in preventing a US/Israel military attack against Iran. The main argument there is that a war in Iran would have direct and immediate negative consequences for Turkey and it would be more difficult to set things right for a long time to come. A military attack would once again destabilize the Middle East, tear asunder all trade relations in the entire region and break energy supply links not to mention a probable flare-up of region-wide terrorism.

Although the latest talks between Iran and 5+1 countries held in Geneva on October the 1st created a new wave of optimism, many experts remain cautious. If Iran uses this opportunity yet again for tactical purposes and for gaining time, it may indeed waste a last chance before further sanctions are adopted. The latest Iranian response to the new UN offer on uranium enrichment abroad- mainly in Russia and at final stages in France- is vague enough to make many think that Tehran's tactic is to gain time. The UN offer, required Iran to send two thirds of its low enriched Uranium stockpile to Russia at once for further enrichment and get back the enriched uranium to be used in nuclear energy reactors. While Iran in its initial response did not directly reject the proposal, Tehran said it was waiting an answer to its own proposal on buying enriched uranium from abroad rather than sending its low enriched stockpile to Russia. Iran has often made counterproposals in the past and thus managed the continuation of the negotiations without facing further sanctions.

If this latest set of negotiations does not bear fruit, the US and EU member states would prepare for a new set of sanctions to be voted at the UNSC. Russia may accept strengthened sanctions in the spirit of improving bilateral relations with the US. China in that case may not be blocking the UNSC and only abstain.

Thus, when the time comes Turkey will face difficulties in positioning herself on the Iranian question both as regards intensified sanctions and military action. Turkey's stance is further complicated now since she is a non-permanent member of the UN Security Council and an IAEA Board member. Both positions involve international responsibilities, beyond national priorities.

That is probably why the Turkish Government is intensifying efforts to open channels of communication between Iran and the US. Prime Minister Erdoğan visited Tehran at the end of October. He also met once again with Mr. Ahmedinejad during a meeting of the Organisation of Islamic Conference in Istanbul on 5-9 November. However it would be rather misleading to describe Turkey's efforts as that of a mediator, for it is clear that Turkey is an ally of the US and is against Iran acquiring nuclear weapons, whereas a mediator needs to be neutral. Turkey at best would be in a position to be an honest broker between the parties, should both parties express such a demand. The bilateral talks held for the first time directly between Iranian and US representatives in Geneva this October is a healthy development. Yet it indicates that the role of third parties, including the EU, will be limited from now on.

It is important to note however that Prime Minister Erdoğan lately adopted a new discourse on Iran. In an interview published in the Guardian a day before his visit to Iran (October 26th) he said accusations against Iran seeking nuclear weapons is only

Secretary of State Hillary Clinton took an active role in overcoming a last minute obstacle before the signing of the protocols in Switzerland. The importance attributed by the US to the rapprochement between Turkey and Armenia can be linked to the central role Turkey is expected to play in the new US approach towards the region.

gossip and said all countries keeping Iran under pressure for its nuclear program had nuclear weapons of their own and that this is unfair. He will most probably be asked to further explain his position during his visit to Washington, scheduled for December 7. Whether Turkey is preparing for a more independent approach to the Iranian question or whether Erdoğan is using tactics to secure the role of a broker for Turkey remains to be seen. Prime Minister's remarks can also be seen as a manifestation of his populist impulses and thus aiming to serve domestic political interests. Since the Gaza war, Mr. Erdoğan carefully plays to the tunes of Turkey's and the Middle East's Muslim population.

The future in the transatlantic context

Another difficult issue to tackle is Afghanistan. The US military has been in Afghanistan since the end of 2001. The past eight years brought little improvement in terms of controlling the Taliban, despite all efforts. To the contrary, even though NATO forces kept increasing in size, the Taliban widened the area it controls and strengthened its position in neighboring Pakistan. The number of US troops is expected to hit 68.000 by the end of the year, thanks to President Obama's supply of 21.000 additional troops. There are also 39.000 NATO troops in Afghanistan, bringing the total of NATO forces to 107.000. Yet, things are not going as planned. ISAF (International Security Assistance Forces in Afghanistan) Commander Stanley McChrystal in a recent report to the US Central Command and NATO describes the situation as serious and says the existing strategy is not working. He adds that success is achievable with a revised strategy and increased unity and effort. What's interesting in the report is that General McChrystal suggests troops need to focus on protecting the population rather than killing the enemy. President Obama is reportedly considering the recommendations made by General McChrystal to send even more troops to Afghanistan just as important names are voicing the alternative option of withdrawal in line with the mood of a disenchanted American public in the wake of Afghanistan's fraudulent Presidential elections.

Turkey has participated in ISAF since the beginning and assumed its command twice. Lately Turkey sent an additional 800 troops, which brought the total of its trips in Afghanistan to 1.700. However Turkish troops in Afghanistan are not positioned in combat zones and their role is limited to training Afghan security forces and restructuring the country. Turkey historically enjoyed privileged relations with Afghanistan, has trained its military forces back in the 1920s and 1930s and helped its state-building efforts. It has been a role model for generations of Afghans since Atatürk's war of independence and occupies a privileged spot in Afghan people's hearts and minds.

Therefore since the outset of the war Turkey refrained from sending combat troops believing that such a move would be counter productive. On the other hand there is now no doubt that NATO's success in Afghanistan is dependent on reinforcements and this includes more combat troops. Although President Obama in his speech before the Turkish Parliament did not ask for combat troops, time may yet come for that as well. This would be a tough call for Turkey. That is probably why Foreign Minister Davutoğlu intensified his diplomatic efforts and visited Afghanistan and Pakistan in June. Prior to that visit Turkey hosted a Presidential summit in Istanbul in December 2008 for the Pakistani and Afghan heads of state. Ankara is thus trying to emphasize that her contributions need to concentrate on diplomacy rather than supplying combat troops. It is doubtful that this strategy would work if casualties in Afghanistan continue to increase and Taliban further widens its power base.

Turkey and the US have been allies for over 60 years now. Their bilateral relations have never been so extended, so close or so complicated as today. The two allies are now bound to overcome the negative feelings of the Iraqi episode and are getting ready to work together towards achieving common goals. Turkey's relations with the EU on the other hand are getting more cumbersome and sobering every passing day. The EU will not be able to change its negative stance and improve its approach towards Turkey while politicians like President Sarkozy and Chancellor Merkel are still in power. Ankara in turn is slow in implementing long awaited reforms and seems to be frozen by the Sarkozy-Merkel effect. Turkey's relations with the EU will thus be on a rather difficult path in the near future.

As relations with the EU deteriorated Ankara's expectations from the US rebounded. President Obama's visit brought further visibility as well as renewed hopes in that regard. Sailing in deep waters may be nice, but hazardous as well. The complacency of good relations with the US and resentment towards the EU together might lead to a situation whereby political reforms in Turkey risk being neglected. President Obama's remarks on the importance of the continuation of reforms are therefore very relevant.

The real challenge in Turkey-US relations is in keeping Turkey on the EU track. For that reason if for no other, US efforts should concentrate around the Cyprus question as well. Turkish and Cypriot leaders have been meeting each other since 2008 for renewed settlement talks. The international community's support for these talks is of primary importance for success. However the EU as a whole is being increasingly underweight in tackling the challenges of the Cypriot problem. Cyprus has become a convenient excuse for those EU members that are against Turkey's accession. The US, together with other Europeans in favor of Turkey's membership can counterbalance these obstructionist efforts. The EU keeps warning Turkey that if the talks fail because of her, she will bear the consequences. However the Greek Cypriots are not warned about the consequences they would have to face should negotiations fail. It is now time for the US to take a proactive approach and signal particularly to the Greek Cypriots that another missed opportunity would not mean the continuation of the status quo in their benefit. A failure or further obstructions by the Greek Cypriots for a just settlement would not only change political balances in the north of Cyprus, but also damage Turkey-EU relations further.

Absent the EU membership prospect, Turkey may shift from being the part of the West closest to the east, to being the part of the east closest to west. Her attitude on the election of NATO Secretary General has already raised question marks in that regard. A Turkey that is convinced she cannot become a full member of the EU will concentrate on creating a new hub of relations with countries to her east, south and north. Good relations with the US will then be imperative as the sole western anchor, displacing the EU.

Can Buharalı *is an executive board member of EDAM, Center for Economics and Foreign Policy Studies.*

Turkey's accession to the European Union:

State of play, challenges and perspectives

Cengiz Aktar

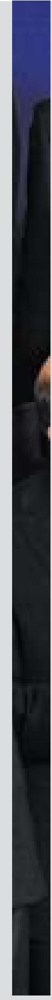
On 31 July 2009, The Republic of Turkey's European Union (EU) bid was half a century old. No other candidate country has spent such a long period of time in line to become a member of the Union. Then again probably no other candidate has benefited as much from the Union's transformative dynamics either. Turkey's candidacy was reviewed in 1999 in line with the new rules of the enlargement policy. These were formulated at the end of the Cold War and were a result of the urgency to cope with the new fait accompli, that is, the collapse of communist regimes in Central and Eastern Europe. Although an old candidate, Turkey was asked to comply with the new criteria designed for these countries. Yet, Turkey was considered as part of the new Europe that was taking shape in the post-Soviet era.

The politico-philosophical approach to include Turkey in the EU's last enlargement cycle originated in the "Laeken spirit". That was the climax of the political project based on solidarity and partnership in the European continent and beyond. It was a response to the emerging situation in the continent after the end of the Cold War in 1989. The Europeans crowned this project - which in a way signalled a continent reborn - by launching works on a European Constitution in Laeken near Brussels, in late 2001.

> The decision to include Turkey in the last enlargement cycle and to invite it to join the European family was not an act of charity. It was a genuine political act that took common and mutual interests in full consideration.

We know the rest. Since then, the project "Europe", based on federalist principles and constitutional citizenship has faded in spirit. Because of petty national calculations, out-dated hostilities the project suffered considerably. Politicians without a vision who underestimated the degree of success achieved by EU policies and in need of a scapegoat for their own poor performances, caused the winds of "Europeanism" turn in the opposite direction.

Logically, Turkey's membership bid has suffered from the vanishing of the Laeken spirit. The so-called enlargement fatigue took over and Turkey is more and more perceived as a burden, a hunch on Europe's back. As a result, European policy makers started to treat the Turkey dossier as a crisis management case.



However, as a potential member of the anticipated political Europe, Turkey benefited considerably from the enlargement dynamics. But so did Europe, despite its striking nonchalance *vis-à-vis* those achievements that paved the way for the first time in recent history, for a common future with a country otherwise considered as Europe's perennial "Other".

Today, Turkey's pre-accession process that started in earnest ten years ago, in December 1999, is at a standstill. Its fate, positive or negative, will have implications that will go beyond Turkey and beyond Europe.

Rationale to include Turkey

The decision to include Turkey in the last enlargement cycle and to invite it to join the European family was not an act of charity. It was a genuine political act that took common and mutual interests in full consideration. Through the integration process, the EU aimed at laying the foundations for sustainable economic, political and social stability in Turkey. In turn, normalization and stability in Turkey were considered as the best guarantee for the freedom, peace, security and stability of the continent as a whole.

In concrete terms, the integration process would avert centrifugal temptations that might emerge if Turkey were kept out of European integration. Similarly, issues high on the common agenda such as the Cyprus question, the dispute with Greece over the continental shelf in the Aegean Sea, relations with northern Iraq, rejected asylum seekers, unauthorized migration and drug and human trafficking could be better tackled if Turkey were included in the joint consultative mechanisms of the EU. The potential advantages of a young and dynamic population, the economic attractiveness of an unsaturated market of 70 million consumers, the economies of scale that could be generated with the southern and eastern neighbours as well as the Central Asian States certainly played their part in the making of that decision. The strategic value of the second largest army in NATO and the geographic position of the landmass regarding the energy routes must have been taken into consideration as well.

Integrating a secular but predominantly Muslim country in an ensemble where Christian values shape the common references for the majority of citizens, however much they live in a secular environment, was and still is a huge challenge in itself. Political leaders of the EU have taken this politically courageous decision to show and prove that "Grande Europe" as a future world power will be able to integrate different countries on the basis of shared common values despite their diverse cultural roots. In this sense, Turkey is a significant test case since it embodies a number of values that are allegedly in contradiction with the European ones. Moreover, the success of this undertaking would no doubt serve as an example for the Muslim-majority countries around the Mediterranean basin, by demonstrating that modernity is within reach for a secular Islamic society.

Turkey had a lot to gain from the process of integration in the EU as well. It had the opportunity to benefit from the experience and the techniques of its partners to complete its own 200 year-old modernization process. It would also have the opportunity to rediscover its past, confront its memory and history and challenge certain customs it had to sacrifice in its attempt to acquire a European appearance. All these would be realized in an environment of mutual confidence that would enable Turkey to feel at home in Europe.

An half hearted welcome

The hopes and projections concerning a common future between Turkey and the EU were valiant. Regrettably, the course of events kept them from being fulfilled in their totality.

EU's policy shift *vis-à-vis* Turkey undermined firstly the conditionality principle. The open-ended nature of Turkey's accession talks with "no guarantee" regarding full membership and staunch French hostility towards Turkey emptied the conditionality principle of its content. Conversely, a sort of negative conditionality took over whereby those member states that had difficult relations with Turkey like the Republic of Cyprus, gladly abused the negotiation process to press unrealistic demands on Turkey. Today several negotiation chapters are blocked because of this negative conditionality*. This rather depressing picture was matched by the AKP government's failure to read the course of the opposition in Europe against enlargement correctly. Consequently, since December 2004 the EU works are at standstill.

in Turkey slowed down, the EU began to go soft on Turkey and "appease" Ankara. Once the Constitutional Treaty was solidly rejected by two founding members, France and Holland in their respective referenda the Union had no solid perspective to offer to Turkey. The EU tried to manage the relationship in the last five years, with the help of annual progress reports. Frail statements of criticism were heard once in a while. Brussels used the excuse of elections or political troubles in Turkey to keep a low profile.

Even Turkey's closest "friends" avoided warning the government about neglected works, delayed steps and backtracking in reforms.

Europeanization of policies is already taking hold in Turkey and no one should have the luxury to halt this dynamic. We are undoubtedly in the beginnings of a long journey and the stakes are high.

The encouragements in words have never turned into deeds. They made rambling statements such as "you work hard, you'll succeed" or "the road to the EU is a long and tough one". Although totally irrelevant to the Turkish situation they used difficulties that Britain, Spain and even Sweden once faced, to calm down Turkey, as you would a child.

of appeasement stemmed from not knowing what to do, rather than the intention to protect the ruling AKP. But some member states had no interest in inviting Turkey to the right track since they were pleased to see Ankara lagging behind in EU accession.

Eventually, the EU's message faded and lost its impact on the Turkish public. The AKP simply stopped doing what it must. The citizens, unable to see the concrete benefits of the EU process felt alienated from EU affairs. Because of Brussels' appeasement policy, the confidence in the EU process that the NGOs and opinion makers who were critical of the government maintained till then weakened considerably. Their pro-EU stance and pressure had no more traction.

Presently, frail declarations by the EU do not get much attention; at best they trigger fierce reactions from groups that are against the EU bid and against social change. The ongoing dialogue of the deaf is not simply due to the outspoken anti-EU circles in Turkey but rather to the EU's inability/unwillingness to offer Turkey a solid perspective for membership.

Membership perspective as *a conditio sine qua non*

The following is still very valid: A Turkey that does not see its future in the EU will have difficulties to absorb the political and economic freedoms and the democratic environment resulting from the EU-inspired reforms of 2002-2005. It will have difficulties to sustain the second reformist wave that the government seems to have instigated recently without support from the EU.

Why is the EU perspective so important indeed? Let's disregard the fears relating to anti-secularism and separatism. In simpler terms, even an ordinary civil servant who stands no chance of becoming an EU citizen will not be too enthusiastic about the EU-related reorganization of his/her unit.

Thus, the reason behind the slow pace of the negotiations is not just the revanchist policy of the Republic of Cyprus for the "invasion" of the island in 1974, or the comical Turcophobia of the French president Nicolas Sarkozy. The lethargy also stems from the unwillingness of Turkish economic and political decision makers to fully engage in economic and political sacrifices without being assured of membership when the necessary conditions are fulfilled. A typical example is the costly environment acquis which requires huge financial sacrifices to comply with, thus difficult to be implemented by industrialists without a clear membership perspective.

Yet European politicians who carefully avoided giving an accession perspective to Turkey and pushed the country around by their contrasting and misleading attitudes are as responsible for the current state of affairs as Turkey's rulers.

In fairness, I must note that by the end of 2008 the government has updated the National Programme for the Adoption of the Acquis Communautaire (NPAA). In early 2009 it appointed a full time minister to take charge of the EU dossier. The bureaucracy was streamlined. Moreover a so-called "Kurdish opening" and diplomatic gestures towards Armenia have been initiated in order to start a pro-active process on both fronts. Despite all these reformist moves that are taking place without any EU support, the negotiations are advancing at snail's pace.

Offering an accession date to Turkey is essential

The EU-27 cannot in all likelihood reach a consensus to replace Turkey's membership perspective, approved on 18 December 2004, with a second-class status. Yet Turkey's membership prospects can only be revitalized if there is a strong move forward. And the move to reinvigorate the process depends, on a very powerful message by the EU: A public statement that announces an accession date. Taking into account the prevailing political, economic and budgetary constraints,

When Sarkozyites bash Turkey these other countries should be able to say as loudly as possible, "We want to see Turkey among us by such and such date". And they should say it in Europe not in Turkey.

WHERE WILL THE GOVERNMENT STAND ON TURKEY?

Alper Üçok

The German Federal elections that took place on Sunday, 27 September 2009, culminated in the dissolution of the so-called Grand Coalition of the Christian Democratic Union (CDU/CSU) and the Social Democratic Party (SPD). On the 24th of October 2009 a coalition government was formed between CDU/CSU and the Free Democratic Party (FDP).

Chancellor Angela Merkel's CDU won 33.8 percent of the votes, lost suffered a loss of 1.4 percentage points compared to 2005. The FDP surged forward and came out third with 14.6 percent. So the FDP is back in power after 11 years in opposition is clearly the "biggest winner" of the German elections of 2009.

The "biggest loser" of the elections has been the SPD winning only 23 percent of the votes and getting its lowest score in the post-war era. This score reflects SPD's need to find a new identity, a new team and a new electorate. Whereas the Social Democrats shifted their old political boundaries towards the center in recent years, most of the former SPD supporters identified themselves with a new, leftist formation called the Left Party (Die Linke), headed by former Social Democratic leader Oskar Lafontaine. The Left Party raised its share of votes to 11.9 percent, while the Green Party won 10.7 percent-up from 8.1 percent from the last election. The elections took place in a rather silent and hassle-free atmosphere and marked the lowest voter turnout in federal German election's history with 70.8 percent.

In terms of foreign policy, international media and analysts started to ask whether this new center-right government will change its approach to the common challenges of a globalized world in the 21st century. These include Afghanistan policy, Germany's Iran diplomacy, Germany's policies in dealing with the current global financial crisis, climate change as well as the EU integration process and the Turkish candidacy to the EU.

With regard to Turkey's EU membership process, looking at both party's programs, one can say that both CDU and FDP emphasize that all candidate countries must meet the Copenhagen criteria and stress that "membership is not an automatic process" by pointing to the so-called absorption capacity of the EU. The only difference between these two parties is that the CDU supports the idea of a "privileged partnership", while the FDP supports the continuation of open-ended negotiations for Turkey's EU membership.

Whereas the liberal FDP is less supportive of Turkey's EU *bid than the defeated left-wing Social Democrats, FDP leader and Foreign Minister Guido Westerwelle always said that the negotiations must continue open-ended and the Turkish reform process must be supported. Westerwelle told Spiegel Magazine in an interview on 6 May 2009.*

"Turkey is currently not eligible for accession and the EU does not have the capacity to absorb. But of course, I do expect from a coalition government with CDU/CSU that signed agreements will be respected. It has been agreed with Turkey that the negotiations will continue open-ended. This process will take years. Turkey is striving to make the necessary democratic, institutional and economic reforms to fulfill the accession criteria. We should support this process".

To the remark of the Spiegel journalist concerning CDU's wish to stop the negotiations right away, Westerwelle replied, "I think this would be the end of a smart German foreign policy. Nobody knows whether the result of the accession negotiations will be the establishment of a privileged partnership or Turkey's full accession to the EU. Turkey right now is not expecting a date for accession. But naturally the country is expecting from the EU to keep its promises".

Similarly, just one day after elections the FDP Foreign Policy Spokesperson Werner Hoyer told Reuters TV that Turkey deserved an opportunity to fulfill the European Union's criteria, even if it took years. "We are much more open vis-à-vis Turkish membership in the European Union and now that we negotiate, we should negotiate with the possibility of Turkey joining," Hoyer said. "I think the wording 'privileged partnership' is a little bit outdated nowadays", he added, referring to Merkel's favored option for Turkey's EU bid.

It seems that the business-friendly FDP will underline the importance of Turkey both as a business and strategic partner and act as a counterweight to the more negative Christian Democrats on the issue of Turkey. In the near term the changeover in Germany will not bring a total breakdown in Turkish-German dialogue on the EU. In al likelihood we will see a continuation of "One government, separate Turkey policies", in other words a replica of the situation of the former Grand Coalition. Eventually, Turkey's pace of reform and its commitment to the fulfillment of the membership criteria will indubitably play as important a role as governmental changes in Germany to secure membership in the EU.

Alper Üçok *is TÜSİAD's representative in Berlin*

2023, the centenary of the founding of the Republic of Turkey sounds reasonable and apposite.

However there is a silent opposition to this prospect. Some observers argue that 2023 is too far away. Bearing in mind the state of preparations in Turkey, the anti-Turkish mood in Europe and the time necessary for the ratification of accession treaties in national parliaments, 2023 is actually pretty close. It should be recalled that another "big" candidate, Poland took fifteen years to qualify for accession in 2004.

All the same, 2023 is also distant enough to placate some European politicians. Moreover, a tentative date is the most precious incentive for Turks who are impatient by temperament but are stimulated with tangible perspectives. Turkey has negotiated a major agreement with the EU, the customs' union, for which the end of 1995 was the deadline. Again in 2002 at the Copenhagen European Council the EU-15 gave Turkey a rendezvous for end 2004 to comply with the Political Criteria. Both deadlines were successfully met.

Some others, who argue that no accession date was given to previous candidates, should refer to the presidency conclusions of Helsinki and Nice European Councils respectively held in 1999 and 2000. In both conclusions the will to accept the negotiating candidates at a given date once they have fulfilled the requirements is in fact openly stated.

Some other observers argue that guaranteeing accession to Bulgaria and Romania by a certain date proved counterproductive and stalled the reform process they needed to complete in order to meet membership obligations. But hardly any new member (and eventually some old members) fully complied with membership criteria at the date of accession.

Realistically no one should expect the EU-27 to agree today on an accession date. But Member States that view Turkey's membership as essential for European interests can pronounce the date 2023 themselves. Nothing prevents them from doing so. When Sarkozyites bash Turkey these other countries should be able to say as loudly as possible, "We want to see Turkey among us by such and such date". And they should say it in Europe not in Turkey. This is particularly useful when the newly converted Sarkozyite, the French Secretary of State for EU affairs Pierre Lellouche claims that twenty-five out of twenty seven Member States are against Turkey's membership but they don't dare to say it openly. Under such circumstances such a statement of intent is exactly the kind of communication that is needed.

Confidence building and progressive integration

As Turkey continues with its reform process for full membership expected in 2023 its relationship with the EU could be upgraded with a number of interim measures. These would pertain to the customs union and the progressive integration with selected common policies without necessarily waiting for final accession. Such initiatives and decisions, if properly introduced could act as solid confidence-building measures and soothe the sceptics on both sides. To begin with, the customs union that came into force between Turkey and the EU on January 1st, 1996 does not function smoothly anymore. Its daily implementation openly harms the Turkish side for three sets of reasons.

Firstly, the EU countries refuse to consider the transportation of goods as part of the customs union agreement. Consequently, Turkish exporters to EU countries have to abide by the same quota rules applying to third countries for the transportation of goods.

of goods is an essential part of any international commercial transaction. This measure punishes Turkish exporters by increasing the costs of their products in EU markets. These tacit barriers to trade within the customs union could and should be reviewed.

according to Article 16 of the customs union decision, Turkey has to adopt the common trade policy of the EU. But when the EU concludes free trade agreements (FTA) with third countries it does not consult with Turkey. Ankara does not participate in the decision-making bodies relating to the customs union. Turkey attends technical committees that work under the authority of the Commission, as an observer, i.e. with no right to vote. In particular Turkish experts do not have the right to attend the meetings of "Committee 133" that plays a vital role in determining EU's trade policies.

Therefore when the EU signs FTAs with third countries Turkey is indirectly and often unilaterally becomes part of the FTA with those third countries. Yet, third countries do not always wish to conclude the same agreement with Turkey since they do not want to grant the same concessions they grant to the EU. This situation not only leads Turkey to fail to fulfill its obligations stemming from Article 16, but also subjects it to experiencing trade imbalances. Turkey systematically asks the EU to insert a provision that would compel third party states to conclude similar FTAs with Turkey. Alternatively it asks that the FTAs enter into force only after the third party state signs and ratifies such an agreement with Ankara.

> As Turkey continues with its reform process for full membership expected in 2023 its relationship with the EU could be upgraded with a number of interim measures.

Thirdly, an issue on which the EU could develop a proactive approach is the visa policy. Turkey is almost the only country that has substantial economic, cultural and political relations with the EU whose nationals are subject to a very stringent visa regime for entry into EU territory. No exception for particular groups such as businessmen, students and EU projects' partners, is granted. This creates an unfair advantage for businessmen from EU countries who can travel visa free or at minimum cost to Turkey. Turkish businessmen on the other hand have to queue for visas without having the guarantee to get one. So far negotiations produced no tangible results despite pro-Turkey rulings in national courts (U.K) and the European Court of Justice.

Finding a mutually acceptable solution to the visa problem by taking into consideration legitimate concerns of both parties would be an important message for the Turkish public regarding membership prospects.

integration of Turkey in a variety of EU policies, once the requirements are fulfilled through the negotiations, could be a decisive policy tool to build confidence. Turkey already participates in a number of EU programs such as Research Framework Program or European Environmental Agency. Moreover through the customs union Turkey is partially integrated in the common market and applies a number of EC common laws.

A new approach to further this integration with the help of chapters that are successfully concluded could be contemplated in order to build ties on the road to accession in 2023.

Last but not least is the upcoming decision to review Turkey's record on the inclusion of the Republic of Cyprus within the customs union framework as a new member. The failure to do so until 2006 led to the suspension of negotiations on eight chapters. Without a reasonably realistic prospect that the parties in Cyprus will reach an agreement or that the embargo regime on Turkish Cypriots will be lifted, Turkey is unlikely to make the expected move. Having understood the intimate relationship between the reunification talks and the fate of Turkey's own negotiations with the EU, the Swedish presidency has been shuttling between Europe, Turkey and Cyprus to support the negotiating duo of presidents Dimitris Hristofias and Mehmet Ali Talat. Sweden has set up the "Cyprus Working Group" in Stockholm.

Similarly, an informal group, "Like-minded countries on Turkey's EU membership," formed in Ankara some time ago, is gathering steam. The group initiated by Britain, Italy, Spain and Sweden expanded with the participation of Belgium, Estonia, Finland, Lithuania, Hungary and Poland. Denmark and the Netherlands are said to be providing occasional support to the group that may be reinforced in the months to come.

Such steps can take the relations forward since until the end of 2011 the line-up of EU presidencies - Sweden, Spain, Belgium, Hungary and Poland- is one of countries favorable to Turkish accession.

Finally the new German coalition government would be more pro-active than its predecessor regarding Turkey's membership despite all odds.

Keep the winds blowing

Europeanization of policies is already taking hold in Turkey and no one should have the luxury to halt this dynamic. We are undoubtedly in the beginnings of a long journey and the stakes are high. There will be strong undercurrents to derail the process and to jeopardize our common future based on shared values and mutual interests. It would be unfortunate to abandon the courageous political vision initiated in Helsinki at the very beginning of the road when things have just started to brew. We should always remember that arguments put forth by political forces and lobbies in Turkey and in Western Europe against Turkey's membership contradict the vision of Europe as a world power. Turkey's "difference" and its somewhat long normalization will certainly continue to provide the opponents with plenty of ammunition. We shall not let them have the last word, in which case the common future will turn into a shared chaos.

CODA: In this year's progress report which was published on 14 October 2009, the European Commission has, unlike the reports of the last four years, finally adopted an assertive tone to fully support positive developments and be critical of shortcomings. I hope this new stance will become the new standard and will bring an era of renewed confidence in EU-Turkey relations.

Dr. Cengiz Aktar *is head of EU Studies Department, Bahçeşehir University*

**As of October 2009, Turkey and EU have opened eleven chapters for negotiations: (4) Free Circulation of Capital (6) Company Law (7) Intellectual Property Law, (10) Information Society and Media, (16) Taxation, (18) Statistics, (20) Enterprise and Industrial Policy, (21) Trans-European Networks (25) Science and Research (provisionally closed), (28) Consumer and Health Protection, (32) Financial Control. For the sake of comparison, Turkey's negotiating mate Croatia has opened twenty-two chapters and closed seven out of them. And with Slovenia lifting its veto Croatia will be able to open almost the entirety of the chapters to negotiations by the end of 2009.*

Eight chapters are frozen since December 2006 for non-compliance with the requirements of the Additional Protocol to the customs union agreement, namely the inclusion by Turkey of the Republic of Cyprus within the customs union framework as a new member. These chapters are: (1) Free Movement of Goods, (3) Freedom to Provide Services, (9) Financial Services, (11) Agriculture, (13) Fisheries, (14) Transport Policy, (29) Customs Union, (30) External Relations.

Five chapters are technically frozen due the position of France who refuses to let those chapters pertaining to full membership to be opened for negotiations, in line with this government's policy to block full membership of Turkey: (11) Agriculture, (17) Economic and Monetary Policy, (22) Regional policy, (33) Budget, (34) Institutions.

THE LONG-AWAITED "OPENING":

Turkey, its Kurds and the regional balance

Cengiz Çandar

During a private conversation we had in September, President Abdullah Gül asked me to pay special attention to his annual speech on October 1st at the opening of the Turkish Grand National Assembly. He hinted that his speech would cover the "Kurdish Opening" extensively. It did. However, he did not use the word "Kurdish" even once in his 29-page long speech.

It was President Gül who, on March 10 aboard the presidential plane on the route to Tehran, launched the debate on the Kurdish issue, by telling a group of journalists, including myself that "Good things are expected to happen concerning the Kurdish issue." Whenever expectations run high for "positive developments" or a "positive outcome" on the Kurdish question, usually following a statement by a high official, what is meant is an end to the armed insurgency of the PKK. In official parlance, this means an end to terrorism.

Since the capture in 1999 of Abdullah Öcalan, the PKK's leader, the politico-military leadership of the PKK along with a few thousand fighters settled in Mount Qandil and in the mountainous terrain that surrounds it. Qandil is in the northeastern corner of the Iraqi territory under Iraqi Kurdish control.

The Iraqi provisional constitution that was passed in a referendum, accepted the Kurdistan Regional Government, with its regional capital in Erbil, as part of the new, federated Iraq. Thus the constitution recognized Iraqi Kurds' federal sovereignty in those territories where the PKK was located. Consequently the Iraqi Kurds became, *de facto*, a party to Turkey's problems with the PKK.

The Iraq War and the Kurdish entanglement

The American presence in Iraq after the war (2003) was problematic for Turkey. Ankara could no longer undertake military operations in the region the way it used to under the Saddam regime. The Turkish military was accustomed to launch incursions into Iraqi territory against the PKK in "hot pursuit" of the terrorists. In the wake of the war this freedom of action for cross border operations was lost.

It wasn't until February 2008 and with the tacit approval of the United States that the Turkish armed forces could again cross the border for a military operation. This was the result of a new understanding between Turkey and the United States that was sealed during the meeting between PM Erdoğan and President Bush on November 5, 2007.

When Mr. Bush declared at the end of that meeting that the PKK was "an enemy of the United States" he gave the strongest sign to date that American policy on this particular issue was changing significantly. The American military began to share "actionable intelligence" with its Turkish counterpart and an air corridor was opened that enabled the Turkish air force to pound PKK targets. Yet, it seemed certain that military means alone would not suffice to eradicate the PKK from or remove it its strongholds in the Iraqi Kurdistan territory. The looming American withdrawal from Iraq by the end of 2011 as scheduled according to SOFA (Status of Forces Agreement) prompted Turkey to urgently devise a new and relatively more realistic Iraq policy.

A new Iraq policy that acknowledged the realities of post-war

Iraq had to be a policy of close cooperation with the Iraqi Kurdish administration on the other side of the Turkish-Iraqi border. So, the rapprochement with Erbil was taken a step further and relations improved significantly in the wake of Iraqi President Jalal Talabani's visit at the end of January 2008.

For a long time after the war Turkey refrained from recognizing the legitimacy of the Kurdistan Regional Government (KRG) although Ankara accepted the new federal constitution of Iraq. So when the Turkish authorities finally concluded that the PKK could not be eradicated by military means alone, cooperating with the KRG presented itself as a necessity. Since, after the departure of American troops Turkey's immediate interlocutor would be the authorities in Erbil. Their political assistance and intermediation would be indispensable to finish the annoying (for Iraqi Kurds as well) PKK presence in KRG territory.

Determinants of domestic reform

Therefore, the future of Iraq unequivocally played a part in pushing Turkey's policymakers to take steps for ending the PKK insurgency through non-military means. An inseparable dimension of this change in approach towards Iraqi Kurds was the initiation of democratic reforms to resolve Turkey's Kurdish problem that gave rise to the PKK in the first place. That is the gist of what is called "the Kurdish initiative" or "Kurdish opening". Still the obvious linkage between the timing and the substance of the initiative and the uncertain future of Iraq and the American withdrawal timetable does not fully explain why this controversial step was taken.

A number of other factors besides the changing "Iraq situation" ought to be listed. An important one is Turkey's ambitious quest to be an energy hub and crossroads for the pipelines that either originate or projected to originate from the Caspian basin, from the Gulf and specifically from Russia and Iran. The adjacent Iraqi territory and the unexplored hydrocarbon wealth underneath Iraqi Kurdistan are essential components of Turkey's strategic outlook. They inform the new Turkish regional policy formulated by the Foreign Minister Ahmet Davutoğlu that seeks to have "zero-problem with the neighbors". In order to attain such ambitious goals, Turkey needs to have stability in the region and secure a peaceful environment. This goal also defines Turkey's recent eagerness to mediate wherever there is a conflict in the fairly broad geographic area that surrounds it.

In order to materialize its aspirations and build a promising future for itself as a regional power, Turkey had to finally bring to an end its unresolved Kurdish question. This question preoccupied republican elites from the founding days of the new Turkish state and frequently it engendered debilitating violence. To continue carrying this baggage goes against Turkey's vital interests as they are currently formulated. This economically strategic reasoning is not as visible or predictable as the "Iraq factor" but it is there to provide a very strong impetus for the Turkish government to launch the initiative.

Prime Minister Tayyip Erdoğan's assessment of the AKP's electoral fortunes also played a part, at least in the timing of the "Kurdish opening." In this sense, local elections that took place on March 29 were a watershed. The DTP, widely believed to be the political extension of the PKK and dependent on a pro-PKK constituency mainly in the Southeast recorded a dramatic increase in its votes. It won in 99 municipalities, including the major cities of the region, while the share of the AKP among the Kurdish electorate went down.

Last but not least, the ongoing Ergenekon case was a critical element

Prime Minister Tayyip Erdoğan's assessment of the AKP's electoral fortunes also played a part, at least in the timing of the "Kurdish opening." In this sense, local elections that took place on March 29 were a watershed.

for paving the road to the "Kurdish initiative". With such a staunchly anti-Kurdish network occupying some key positions within the military-security apparatus and the civilian bureaucracy, any sort of "Kurdish opening" would either have been doomed to failure from its very beginning or would have been kept from being launched at all.

All of the aforementioned factors combined to induce the government to undertake one of the most controversial political initiatives in Turkey's politics. Even the name of the initiative is problematic. At the beginning of August, it was presented as the "Kurdish Opening." Later on "Kurdish" was quietly dropped. In official parlance the initiative became the "Democratic" Opening. Its paramount objective is ending the armed Kurdish insurgency in Turkey. Most recently, Tayyip Erdoğan adopted the name, "National Unity Project".

How to name the initiative and to find the most appropriate adjective to use are not trivial issues; on the contrary, it goes deep into the heart of the matter. For millions of Turkey's Kurds and those Turkish citizens who await a radical overhaul in order to resolve the Kurdish question once and for all, the timidity in using the word "Kurdish" could not go unnoticed. Such timidity signals inability on the part of the government to tackle the issue in its real and true dimensions. Notwithstanding this timidity, between August and October (2009) for two months until the beginning of the new legislative year, the issue has been publicly discussed in the country in ways that had never been witnessed in 86 years of Republican history.

The government's initiative could not proceed a smoothly. One certainly expected fierce opposition but the intensity of the attacks surprised even the most jaded observers of the political scene.

The Turkish nationalist MHP's distaste for the "process" was predictable and understandable. Nevertheless, the violence of the discourse adopted by its chairman Devlet Bahçeli went beyond any acceptable boundaries for political debate. He called the group of intellectuals, journalists and academics who took part in the first workshop with the Interior Minister, the designated "coordinator of the opening", on August 1 "12 bad/evil men". He thereby turned these individuals into easy targets for all kinds of hate speech. But Mr. Bahçeli surpassed himself when he went so far as to describe the "initiative" as a plot against the nation. He called Prime Minister Erdoğan a "traitor" and declared that the MHP will take to the mountains and stay there for twenty years if need be in order to fight against the PKK "separatist-terrorists". His venomous rhetoric, though ineffective in mobilizing masses of people to take to the streets against the government-led process, made it clear that the "process" would be one rough ride.

The main opposition party, the CHP gave the impression that it was caught off-guard by the "Kurdish opening." Following a brief period of silence and hesitation, its leader Deniz Baykal took his usual uncompromising oppositional stance. He raised procedural objections arguing that the government did not consult them in launching the undertaking. As a result, he said, his party could not be blamed for not participating in a process in which it had no part and had no say in the decision-making. Baykal and his associates asserted that they had no idea about the substance of the "Kurdish initiative" and pressed the government to disclose the content of the endeavor or to reveal what is included in the "package".

For a while, the momentum of the "Kurdish initiative" overwhelmed the combined resistance of two parliamentary opposition blocs. The optimistic expectations especially in Turkey's Southeast were already high since President Abdullah Gül started to give signals that "good things will take place soon concerning the Kurdish question". Such expectations rose even higher at the beginning of August. The government was heartened by the support it felt it had. The process looked more and more irreversible.

There were times though when, fueled by nationalist discourse on both sides, inter-communal tensions rose. Particularly inflammatory was the jubilant welcoming ceremonies for those 34 Kurds who returned to Turkey from either the Qandil mountain or from the Makhmur refugee camp. The crowds that greeted them formed a long convoy and joyfully accompanied, from the border town of Silopi all the way to Diyarbakır, these so-called "peace groups". These individuals returned to Turkey on the orders of the PKK leader Abdullah Öcalan. The latter presumably wanted to give a boost to the "opening" with such a "gesture" for peace. Both the "victorious" celebrations and the leniency displayed by the government to those who surrendered themselves to Turkish authorities engendered strong reactions from the Turkish public. Incensed, Prime Minister Erdoğan declared the temporary suspension of the "process" and even threatened to go back to square one. Despite the expected twists and turns along the way, though such a reversal is unlikely to happen.

The Kurdish opening

But what exactly is the Kurdish initiative or Kurdish opening or democratic opening or the national unity project? This question is frequently asked, by some in order to ridicule the whole enterprise. Part of the criticism focused on the government's failure to disclose exactly what the package contained. The truth is that the initiative is not a package and there was never a package. It is rather an enigma and for every party concerned or involved, there is a different definition or explanation of what it really is. In any case, the common denominator that prompted optimism for its outcome and arose enthusiasm for the process is the hope it generated for ending the violence related to the Kurdish problem.

This means first disarming and finally disbanding the PKK, the Kurdish insurgent organization that had been waging an armed struggle against the Turkish state since 1984. On the

Turkish side of the divide, there was exhaustion from a 25-year old bloody conflict that claimed the lives of fortythousand people. This was arguably the primary reason for the cautiously positive reception shown for the government initiative by the public despite the confrontational position of the parliamentary opposition that whipped up nationalist sentiments.

Disarming and disbanding the PKK are the primary aim of Turkey's leadership and that is the gist of the "Kurdish opening" for the government. As early as when President Gül first hinted that "good things are about to happen soon, concerning the Kurdish issue" or that "there is a window of opportunity" before us, he was expressing the wish that an opening would boost the chances for terminating the PKK's armed struggle once and for all. Turkey's energetic Foreign Minister Ahmet Davutoğlu's efforts in the region where he is received as the architect of Turkey's new and high-profile Middle East policy were also focused on ending the PKK's presence in Northern Iraqi (or Iraqi Kurdistani) soil.

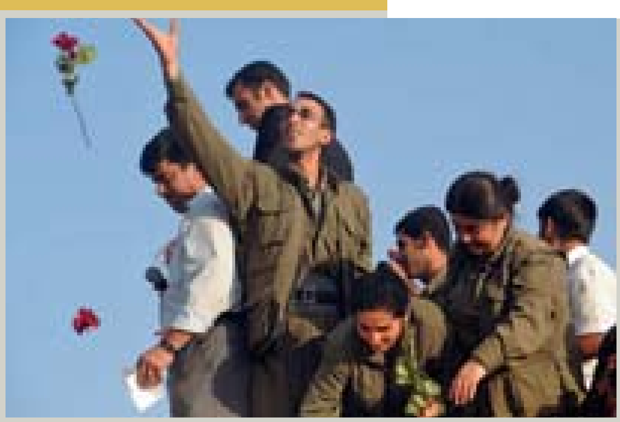
Davutoğlu is after establishing "high-level strategic councils" that envisage joint cabinet meetings at least twice a year between Turkey and the neighboring countries. With Iraq such an agreement was signed in July 2008 and with Syria in September 2009. The next target is Iran. All these are reminiscent of the Saadabad Pact signed in July 1937, an "Oriental Entente" concluded between representatives of Turkey, Iraq, Iran and Afghanistan. The Saadabad Pact marked the first attempt to set up a Middle Eastern security pact confined to states indigenous to the region with the main emphasis being on the territorial integrity and inviolability of the borders of the signatory countries.

Given that Turkey, Iraq and Iran constitute three neighboring regional countries where the divided Kurdish populations live, the Saadabad Pact was traditionally perceived by the Kurds as an "anti-Kurdish regional alliance". There is no doubt that the striking differences in international and regional circumstances between the late 1930s and the first decade of the 21st century distinguish the Saadabad Pact and today's new and ambitious regional policy. Turkey is trying to sign strategic cooperation treaties with its neighbors in the Middle East; but the overriding principles of preserving the territorial integrity and the inviolability of the borders of each country remain in place.

A very important contributing factor to the success of this enterprise is the weakening of the PKK in military terms simply because armed struggle in order to achieve political ends ran out of steam in the region.

It is such parameters that dictated a policy of rapprochement between Turkey and its neighbors including the Kurdistan Regional Government. KRG comprises the three governorates in the north of Iraq and is part of a new federal Iraq. With the amelioration of the relations with KRG the removal of the PKK's headquarters at the mountainous Qandil area seemed possible. Such a possibility led Turkish policy-makers to make optimistic remarks that Turkey is close to the beginning of the end, the ultimate resolution of the Kurdish question.

Political coercion, effective regional diplomacy, international understanding and above anything else, solid American support will all have produced their dividends in the termination of the PKK. The PKK has been the most



consistent and broadly based expression of a score of Kurdish revolts in Turkey. For Turkey's decision-makers, the international and regional climate had never been so supportive, providing Turkey the instruments to end the armed conflict in Turkey's overwhelmingly Kurdish Southeast.

To tackle the violent aspect of the Kurdish question that has become synonymous with disbanding and disarming the PKK is also what precisely became the most paradoxical aspect of the "Kurdish opening". The talk of such an enterprise led Abdullah Öcalan, the PKK leader who is serving a life sentence in İmralı island, a military base, to step in to declare that he will be disclosing his "road map" for the settlement of the Kurdish issue. That move, in turn, may have prompted the rapid launching of the Kurdish initiative by the government. But more importantly it led to a heated debate on whether the PKK and Öcalan himself should be directly addressed in order to reach the tacit but essential aim of the whole enterprise, that is, the disarming and the disbanding of the PKK.

The debate inevitably placed the Kurdish nationalist DTP, allegedly the civilian wing of the PKK in the loop. The DTP scored a stunning success in the latest local elections in March 2009 and won 99 municipalities. Such a success, added to their 21-seats in parliament, reinforced their claim for being the genuine representatives of Turkey's Kurds. Under the circumstances Prime Minister Tayyip Erdoğan felt compelled to meet and shake hands with the DTP's co-chairman, moderate and veteran politician Ahmet Türk. After having refused to meet with Türk for two years in order not to legitimize the DTP, Erdoğan gave in to the dynamics that were set free by the "initiative" and ultimately had an audience with him during the first week of August.

As the appeal of the PKK's armed struggle is waning, there is also a near-consensus that defeating the illegal Kurdish insurgent organization by military means alone is a non-option.

The Kurdish side

Even before the initiative Turkey's Kurds in general were in a hopeful mood sensing the upcoming overture. Having taken the brunt of 25 years of fighting, the Kurdish population in the Southeast has been so exhausted that they cherish the end of hostilities more than any other segment of Turkey's citizenry. For the Kurds the mammoth demonstrations in Diyarbakır welcoming the PKK fighters who came back home unarmed were meant to be a reflection of Kurdish aspirations for a peaceful outcome of the conflict rather than a challenge by the PKK to the government-led opening. Arguably this proved to be a miscalculation and the demonstrations had a strongly negative effect on the general public.

From the outset of the Kurdish opening, a considerable number of Kurds were squeezed between aspirations for a peaceful political settlement of the conflict and their allegiance to their political spokespersons, ranging from the imprisoned PKK leader, to the politico-military command of the PKK at Mount Qandil to the DTP. The DTP is, of course, widely believed to have the same constituency and the grassroots support as the PKK but is a legal and legitimate party in Turkey's politics.

The advent of the DTP to center stage and the debate on the "process" pointed to a very complex phenomenon that the Turkish polity seems unable to solve at this juncture. The DTP had been founded under the instructions of Abdullah Öcalan and is controlled mainly by the PKK leadership. It had no tradition or experience of formulating policies on its own. Hence, when the Kurdish initiative that aimed to disarm and disband the PKK was launched, it found itself in an abyss and passed the ball to the PKK court. This brought strong criticism on the DTP from every corner of Turkey's political spectrum including Öcalan himself. Moreover, the party undermined its own *raison d'etre* as a legitimate political entity in Turkey's political universe. As a result the usefulness or at least the function of the DTP in Turkish politics is increasingly questionable.

The DTP's inaction was partly due to its inability to contribute to the process thanks to its inferior status in Kurdish decision-making but also partly due to a justified argument that if the issue at stake is disarming and disbanding the PKK, then İmralı, i.e. Abdullah Öcalan should be addressed for that. The DTP could have been utilized as a mediator between Turkey's policymakers and the PKK leadership. However, the Turkish system long accustomed to demonizing and delegitimizing the PKK is not prepared to be so flexible and pragmatic as to accord a role to the DTP. For such a move might reinforce the latter's claim to have a monopoly on Kurdish representation.

Inaction on the part of the DTP consequently pushed İmralı and Qandil to the fore, but any overt dealing with them is a non-starter for the government and its "Democratic Opening." İmralı where the PKK leader is serving a life sentence, Qandil, the mountain stronghold of PKK's armed command and the DTP the strongest Kurdish political party with an extended network particularly in Southeastern Turkey are like concentric circles or like three buckles of a steel chain. Each has astrength of its own and each is unbreakable from the rest.

This phenomenon is often neglected, if not totally unknown by many Turkish circles. Ignorance of such a Kurdish structure or a general misperception about it adds further layers of complexity to the problem. It is therefore very difficult to foresee or predict how the "process" might unfold and what ultimately its outcome would be. Notwithstanding the fragility of the ground over which the "process" moves and also all the inherent uncertainties, there is still ample room for hope and optimism that the "process", at the end of the day, will produce positive results. This optimism has something to do with why and how this "process" was launched.

No return

One major factor for hope and optimism is that the ruling party that spearheaded the "opening" did not waver despite the tough opposition it encountered from the nationalists. The Prime Minister reiterated on numerous occasions that they are determined to carry the process to the end. Taking into consideration the track record of the AKP that usually vacillates from declared positions whenever it is confronted with nationalist reactions this time the determination to carry on with the "process" is clearly a cause for optimism.

Another valid reason for optimism is that the AKP, which ostensibly committed itself to the "process", is the only truly national political party in Turkey. It has deputies elected from 80 provinces out of 81. Its firm commitment, therefore, serves to prevent the country and society to implode over ethnic fissures. In that sense it is understandable and perhaps justifiable to call the initiative a "National Unity Project", the label preferred by the Prime Minister himself, although at heart it is a "Kurdish opening".

A very important contributing factor to the success of this enterprise is the weakening of the PKK in military terms simply because armed struggle in order to achieve political ends ran out of steam in the region. The launching of the "Kurdish Opening" created wedges within the Kurdish nationalistic circles and also within the PKK rank and file. This gave rise to covertly held but lively debates on the sustainability of the PKK's armed struggle. A tendency to lay down the arms forever is gaining strength and is noticeable even among the PKK cadres in Mount Qandil. There is also a growing awareness within the leadership that the international and regional political climate does not permit the effective continuation of the PKK's armed struggle.

As the appeal of the PKK's armed struggle is waning, there is also a near-consensus that defeating the illegal Kurdish insurgent organization by military means alone is a non-option. The military top brass is particularly convinced of that, following a series of debacles on some frontier posts in the Southeast that damaged the credibility of the General Staff. That perception of the Turkish Armed Forces, if sustained, would be helpful for the process to reach its final destination: Ending what is called "PKK terrorism" or with a more sanguine description, ending the violent expression of the Kurdish problem. The formula is "3 D", disarm, disband (the PKK) and democratize Turkey so the Kurds would feel no reason to take up arms for asserting their rights and distinct identity. All three are interrelated.

At the moment, the hint we have is that even if there is no clear road map, the government has a time table to tackle the issue in three stages: short term, midterm and long term. In the longer term, the constitution will have to be rewritten with a new preamble and a new article on citizenship that avoids any ethnic connotation. That has to come following the general elections scheduled for 2011. That is why the Kurdish opening is a "process".

It is very difficult to foresee where exactly it would lead but one thing is unequivocal: Turkey never had such a promising and exciting "process."

A final and significant indicator for the ultimate success of the "process" is the fact that on November 10, a debate on the 'opening' started on the floor of the Turkish Grand National Assembly. That is the first time ever in the Republican history that the most important problem of the country has finally been debated in Parliament.

Cengiz Çandar *is a columnist for the daily Radikal*

ELECTIONS IN IRAQI KURDISTAN

Results and Implications

Joost Hiltermann

In July, Iraq's Kurdistan region staged both presidential and parliamentary elections. The emergence of a significant opposition bloc portends a lively legislative term, and hopefully greater transparency and accountability on the part of the regional government. However, the continued tenure of the ruling parties suggests that very little will change with respect to the Kurdistan regional government's posture vis-à-vis Baghdad or its neighbours, especially Turkey.

Closely tied with the West and blessed with relative peace and significant autonomy from central rule since 1991, and even more so 2003, Iraqi Kurdistan has made attempts at establishing a liberal democracy. Led by two principal parties, the Kurdistan Democratic Party (KDP) and Patriotic Union of Kurdistan (PUK), the regional government remains caught in a transformation from guerrilla fighters to administrators. Since the first legislative elections in 1992, the government has been quasi-authoritarian, allowing a measure of freedom of expression and only once (in 2005) using elections to refresh what so far has been little more than a rubber-stamp parliament. The latest elections, on July 25, were somewhat of a departure.

Long in the planning and postponed once, the elections saw the emergence for the first time of significant opposition to the KDP/PUK's duopoly. This came in the form of two groups. The first was a list calling itself Goran, or Change, which sprouted from disarray inside the PUK associated with a struggle over who should succeed Jalal Talabani. Talabani is the founder of PUK (and the Iraqi president) who is getting on in age. He has repeatedly been treated for health problems and his grip on the party apparatus appears to be weakening. Goran started out as a reform faction inside the PUK, then left out of frustration, and now ran on a reform platform in the hope of mobilising an electorate deeply upset with corrupt, unaccountable and ineffective government. It aimed particularly at snatching up votes of disaffected PUK cadres.

The second list, called Services and Reform, was composed of four parties. The two dominant ones were Islamist parties; the other two were - somewhat incongruously - small Suleimaniya-based secular socialist parties. The Islamist movement arose during the KDP-PUK's internecine strife in the mid-1990s but the ruling parties have managed to curb its spread ever since they reconciled. This coalition, popularly known as the "Four Parties" list, similarly ran

on an anti-corruption, good-governance platform.

The KDP and PUK ran jointly on the Kurdistani list, promising continued stability and a fight against corruption (which it has acknowledged as a serious problem). Its leader was Barham Salih, deputy prime minister in Baghdad, who has since become the new prime minister in Erbil.

In addition to electing a new parliament, Kurds were also asked to vote for a regional president, for the first time in a direct election. Masoud Barzani, who has been president since 2005, was the KDP/PUK candidate. He faced five opponents, none of whom had prior experience in government or were known to have a popular constituency.

Finally, the "election" that was meant to take place but did not was a referendum on the constitution, which parliament passed in June. The government tried to schedule a concomitant vote, but a combination of logistical obstacles and external political pressure prevented this. The constitution was controversial because it includes a clause stating that Kirkuk and other disputed territories are part of the Kurdistan region. This greatly upset the Maliki government, as well as neighbours such as Turkey (President Abdullah Gül complained about it in a phone call to President Obama). Concerned about such

With Barzani's KDP at the helm, and fearing a resurgent central state and a possible civil war in Baghdad in equal measure, the regional government is cozying up to Turkey for post-American solace.

a development, US Vice President Joseph Biden then persuaded Barzani to postpone the vote to prevent an escalation of tensions in relations between Baghdad and Erbil and along the so-called trigger line in the disputed territories. The decision was made easier by the fact that the Iraqi High Electoral Commission had already judged that organising a referendum at such short notice was technically unfeasible.

The elections took place in an environment that appeared largely free of fraud and violence, and could therefore generally be termed fair. Most importantly, the opposition parties, whose hopes rose initially as voters flocked to the polls and who then had to dampen their enthusiasm as the results started to roll in, accepted the final results, but not without having submitted a number of complaints. The most significant perhaps concerned the extension of voting by one hour at the end of the day. Goran claimed that there was no need for extra time as voting appeared complete. It also alleged that the ruling parties used the time to stuff ballot boxes in Erbil and Dohuk. The electoral commission dismissed the complaint. (Goran counter-charged that the commission is headed by a Barzani crony).

Turn-out was a respectable 78.5 %, just under 2 million voters. The results were as follows:

Name	Percentage	# of Seats
Kurdistani List	57.37	59
Goran (Change)	23.72	25
Services and Reform List	12.84	13
Islamic Movement in Kurdistan-Iraq	1.45	2
Freedom and Social Justice (Communist Party)	0.80	1

With almost a quarter of the votes, Goran's performance, while stunning for a newcomer, should be put in perspective. Goran is primarily based in Suleimaniya, which administratively and linguistically is a world away from Erbil, the seat of government, which many in Suleimaniya view as KDP-dominated. The key question is: Did Goran supporters vote against the government/KDP or, to the extent that they are disgruntled PUK members, against the PUK? This is difficult to sort out in the absence of reliable exit polls. Predictably, Goran performed best in Suleimaniya; this indicates a protest vote against the PUK, which lost even in Koysinjaq, a humiliating defeat for Talabani, its native son. Goran did far less well in Erbil (and was almost invisible in Dohuk); this suggests it was unable to tap into popular discontent with the government outside Suleimaniya. If Goran bases its support merely on ex-PUK voters, its vitality as a Kurdistan-wide opposition moved should be doubted. Much will depend on how it will use its voice in the new parliament to expose the ruling parties' malpractices and compel them to be more accountable.

With 59 seats, the Kurdistani list won the right to form the government. Since additionally it could count on the fealty of nine of the eleven seats set aside for minorities, this gave it a comfortable majority. It promptly moved ahead to appoint the parliament's new leadership, ignoring opposition demands for a vote. Kamal Kirkuki of the KDP, previously the deputy speaker, was named the new speaker.

But tensions are rife in relations between the KDP and PUK. Having lost a share of its followers to Goran, the PUK's leverage vis-à-vis the KDP is much diminished and the strategic agreement that has undergirded their relationship for at least the last four years has started to fray. Why, the KDP asked, should it grant the PUK a 50-50 share of government if it failed to pull its weight in the elections? For a while, there was talk even of blocking the PUK from taking the promised prime minister position or of allowing the PUK's Barham Salih to take the post for two instead of four years, upon which he would have to surrender it to the KDP.

Indeed, the KDP could have shut out the PUK altogether. However, it would have done so at the risk of seeing some of the PUK's elected representatives ally themselves with Goran to create a more formidable opposition coalition. The wiser option, therefore, was to grant the PUK its share of senior posts but make the party beholden to the KDP to an unprecedented degree. As a result, Barham Salih is a weak prime minister whose party failed to win a single governorate. Moreover, the PUK has lost much of its autonomy as a political party with a distinct identity. With an ailing Talabani, this is going to be its most difficult challenge in the next couple of years.

As predicted, Masoud Barzani swept the presidential

Turkey seeks to benefit from the oil and gas that are present in both the Kurdistan region and the disputed territories, and for this it needs the Kurds. The regional government has been accommodating in this regard, eager as it is to open export routes that avoid its having to deal with Baghdad directly.

The election outcome also suggests that the Kurdistan regional government's ties with Ankara may improve further, but only if both sides continue to show signs of accommodation, ultimately aiming for a deal.

elections, but faced determined resistance in Suleimaniya, where most voters cast their ballots in favour of a relative unknown, Kamal Mirawdali, an independent intellectual who lives in London. Region-wide, Mirawdali won 25% of the vote, against Barzani's 70%, underscoring once again the deep gulf that separates Surani-speaking Suleimaniya from Kurmanji-speaking and Barzani-dominated Badinan. PUK cadres had been instructed to vote for Barzani, as had the Islamists, and so it looks as if Mirawdali's support derived largely from Goran followers, given the percentages.

Thus Goran leader Noswhirwan Mustafa emerged as a clear winner, even if not in absolute terms, and thus as a potential power broker. Talabani's erstwhile deputy and the PUK's prime ideologue (the author of several serious historical studies), faces a palette of challenges and opportunities. His first order of business was to demand reinstatement of Goran followers dismissed from government positions under PUK pressure for switching loyalties. In the new parliament, Goran will push for greater transparency (the government budget and key details of the almost 30 oil contracts it has signed with foreign companies remain secret) and seek to block a referendum on the constitution, which it feels invests far too much power in the presidency.

Trading on his success, Nowshirwan has begun to turn Goran from a protest movement into a political machine that can run in both yet-to-be-scheduled local elections and Iraq's parliamentary elections (for which it has registered as a separate list, No. 28). How he projects himself in Baghdad will be of particular significance. Depending on the election outcome, Goran may be courted as an alternative Kurdish partner in a Shiite-led governing coalition, especially one that seeks to transcend ethno-sectarian identities. However, it seems unlikely that Nowshirwan would willingly destroy the unified Kurdish front in Baghdad and be branded a traitor in the Kurdish street as a result.

Unlike Barzani, who is developing stronger ties with Turkey, Nowshirwan has argued for improved relations with the Baghdad government, but like Barzani he is a hardliner on Kirkuk, which remains a make-or-break issue between Baghdad and Erbil. Accordingly, Nowshirwan has said that in Baghdad he will insist not on a unified Kurdish list but on on a unified Kurdish stance on "Kurdish rights", a reference to Kirkuk. Where he may depart from the KDP/PUK line is on another Talabani turn as head of state, and this could complicate the Kurdish quest to retain the presidency as their position to fill.

The election outcome also suggests that the Kurdistan regional government's ties with Ankara may improve further, but only if both sides continue to show signs of accommodation, ultimately aiming for a deal. The unprecedented visit by Turkey's foreign minister, Ahmet Davutoğlu, to Erbil on October 30 illustrates how far things have come in a mere two years. Although Turkey has had better relations with Talabani than with Barzani in the past, the weight has decisively shifted toward Barzani (Kurdistan's bottom line) now that the Turkish military establishment (its bottom line) appears to have decided that Turkey will need the Iraqi Kurds in its bid to contain Iranian influence in Iraq, and also as a reliable buffer against an unstable Arab Iraq in the wake of a US withdrawal.

In turn, with Barzani's KDP at the helm, and fearing a resurgent central state and a possible civil war in Baghdad in equal measure, the regional government is cozying up to Turkey for post-American solace. Turkey and Kurdistan have many common interests - energy, trade, investments, in addition to the geo-strategic issues mentioned - but they will have to come to terms over the PKK's presence in northern Iraq, as well as - always - Kirkuk.

Turkey must walk a fine line between building up Kurdistan as a buffer against an Iran-controlled Arab Iraq and discouraging any notions of Kurdish independence. In this Kirkuk, with its vast hydrocarbons resources, is the key. Its accession to the Kurdistan region would enhance the Kurdish quest for statehood by giving the enclave greater economic leverage. This has therefore been a Turkish red line. Yet Turkey seeks to benefit from the oil and gas that are present in both the Kurdistan region and the disputed territories, and for this it needs the Kurds. The regional government has been accommodating in this regard, eager as it is to open export routes that avoid its having to deal with Baghdad directly. But it is also pushing for direct control over Kirkuk. How this intricate game plays itself out will depend to a large extent on how much political capital the United States is willing to spend on brokering a deal between Baghdad and Erbil.

The United Nations Assistance Mission in Iraq is facilitating US-supported meetings by stakeholders to conceive and implement confidence-building measures in the disputed territories, but progress has been painfully slow. UNAMI has proposed, and Washington has started quietly supporting, a special status for Kirkuk, at least for an interim period; this is a solution that Turkey has embraced as well. By giving the ruling parties and president a fresh popular mandate, the July elections should help Kurdish leaders in making the sacrifices on Kirkuk that outside actors are pushing them to make, in exchange for the protection, revenue from oil and gas exports, trade, and access to the West they need and crave.

If things work out between Turkey and the KRG, we can expect a rapid increase in trade and investment, the opening of an extra border crossing, the construction of a strategic Kurdish oil pipeline directly to the border (where it would connect with the Kirkuk-Ceyhan line), as well as a gas pipeline. In exchange, the KRG will have to put serious pressure on the PKK short of trying to expel it from its mountain strongholds (an assignment unlikely to succeed) but sufficient to keep it from using northern Iraq as a launching pad for attacks inside Turkey. If and when this all comes to pass, the Kurds hope, Turkey might relax its stance on Kirkuk and reconsider its red line. For now, however, this remains a distant dream.

UNAMI has proposed, and Washington has started openly supporting, a special status for Kirkuk, at least for an interim period; this is a solution that Turkey hasembraced as well.

Joost Hiltermann,

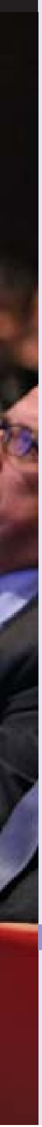
Middle East deputy program director, International Crisis Group

cover story

The great unwinding

Erda Gerçek

"So it seems that we aren't going to have a second Great Depression after all... Just to be clear: the economic situation remains terrible, indeed worse than almost anyone thought possible not long ago". This was Nobel laureate Paul Krugman, probably one of the most bearish economists, declaring, "the worst is over" in his New York Times op-ed published on 9 August 2009. I agree with his prognosis that the worst is probably behind us. Recently announced third quarter US GDP growth figure of +3.5%, first economic expansion after four consecutive quarters of contraction, is testament to this view. Recession, that was brought about by the 2007-2008 financial crisis, is officially over. Yet have all the lessons been learnt and imbalances addressed? It is worthwhile to have a close look back at some of the least talked about aspects of this crisis. I will present what I believe to be the real reasons behind the "great unwinding", where emerging market countries stood in the process and how Turkey embraced the turmoil.



What Went Wrong?

I could not find a better way to start this essay than the cover of The Economist magazine dated 18 July 2009. Exactly two years after the beginning of the worst crisis since the Great Depression of the1930s.

The authors of The Economist article have done a good job identifying the failure of macroeconomics and financial theory as the main culprits of the crisis. Certainly compared to the rather superficial research notes that we have seen over the last two years. These research notes seemed to have concentrated mostly on the wrong aspects of the crisis. As such:

• Capitalism came under serious criticism. Major financial media consistently ran articles on the “Death of Capitalism”. Capitalism was blamed for generating successive crises, dangerous imbalances and global inequality of income. However, true capitalism necessitates that everyone plays the game by the rules. This was not the case in the run-up to the crisis. Some nations, for example, adopted mercantilist policies by constantly manipulating their currencies. China had the deadly cocktail of fixing its currency against the dollar and a closed capital account. As a result it accumulated an unprecedented amount of foreign exchange reserves, some $2trn. Under normal conditions the currency should have appreciated tremendously -- Japanese Yen appreciated 260% between 1970- 1990 -- running down trade surpluses.

Artificially undervalued currencies also deprived the public in those nations of their right to share the riches. They also kept growth profiles lopsided towards exports and often over investment. Retreat from capitalism on the back of these half-baked arguments would be disastrous as there are no better alternatives. Adam Smith’s *Invisible Hand* is the only system of resource allocation that can meet our desire for equity, efficiency, stability, freedom and privacy.

• The crisis was blamed on the greed of the bankers. I am not to defend the financial community here. However, successive crises throughout history suggest that greed is part of human nature and is unlikely to disappear. Technically speaking, it is a “state variable” which cannot be controlled. The real responsibility lied elsewhere. True capitalism requires a significant government role in regulating excessive leverage. The amount of permissible leverage is a “decision variable” that could and should have been controlled. Reagan, Thatcher, Greenspan doctrine of “markets always know best” led to a balooning of leverage that would have been unimaginable in the early 80’s. This happened despite the fact that “random walk” was considered to be pretty much obsolete and successive boom and busts in the markets proved there did exist “correlated errors.

• Derivatives were cited as one of the key contributors to the implosion of the financial sector. It was not the derivatives but their use as leverage rather than hedging instrument that laid the groundwork for the crisis. Derivatives were used to be called Arrow securities, named after the British economist Kenneth Arrow. Arrow suggested that when there is uncertainty about the future, all agents must be perfectly hedged against all risks. Not to increase risk by *leveraging* in an uncertain market environment but to *hedge* against uncertainty.

Fortunately history gives us better guidance on the reasons for crises. “If, over a period of years, capital has been misallocated by an accelerating credit expansion, there is no policy that avoids crisis. In the modern vernacular there is no possibility of “soft landing”” wrote Ludwig von Mises (1936), known as the father of Austrian Economic Theory, a theory

SUCCESSIVE CRISES THROUGHOUT HISTORY SUGGEST THAT GREED IS PART OF HUMAN NATURE AND IS UNLIKELY TO DISAPPEAR. TECHNICALLY SPEAKING, IT IS A “STATE VARIABLE” WHICH CANNOT BE CONTROLLED.

which was overwhelmed by the advent of Keynesianism. Nevertheless, Mises’ approach is all too familiar and goes straight to the heart of the problem. As mentioned earlier, things like “greed” are exogenous to the system and hence not controllable. But excessive credit can and should have been controlled.

The “perfect storm” as Woody Brock of Strategic Economic Decisions calls it unfolded as follows: Investors were fundamentally wrong - not irrational as the Behavioural Finance would claim - in their forecast of future events (e.g.: mortgage default rates in the last cycle). Their mistakes turned out to be correlated - not cancelling each other as the Classical Financial Theory would suggest. In addition there was “Pricing Model Uncertainty” - meaning that investors could not properly price these securities -- of these complex structured products with lots of in-built financial alchemy. In fact the Fed Chairman Ben Bernanke, trying to assess the damage to the system, asked a group of bankers in the early days of the crisis “how much are these securities exactly worth?” The icing on the cake was excessive leverage, which transformed a problem into almost the Great Depression II.

Post-Mortem

The fallout from this crisis will be such that the deleveraging will continue for a while in most of the developed world. It is likely that economic agents’ risk aversion will linger on for the foreseeable future. We had seen the same situation in Asia after the 1997 crisis. Except for a few countries credit penetration in the region remained low for an extended period. Even today many of them have not been able to restore their investment to GDP ratios to pre-crisis levels. Economic and financial implosion of the magnitude that hit the globe in 2007 leaves scars that take many years to heal.

At this stage it is still not clear as to how the world economy will look like in the longer term. It is quite possible that the current monetary and fiscal policy used as a cure today can prove to be worse than the crisis itself. Artificially low rates can well be distorting the economies’ capital structure and paving the way for new booms and busts further down the road. Thus exit strategies from the extraordinary stimulus introduced over the last two years need to be very transparent and timely as they will be closely monitored by the markets.

Going forward one of the key issues will be the lack of growth drivers in the developed world. That’s where the emerging markets come to the fore. These countries will grow faster but clearly this is not a homogenous group and some have their own problems to deal with.

Not an emerging market crisis

Since the last crisis in Argentina in 2001-2002 emerging market countries as a whole have been on a strong and steady growth path. This was similar to their golden growth period of the 60s and 70s with 6% average growth. Developing countries did not cause the crisis this time around. They simply imported the problem from the developed world. Yet they were hardly part of the solution either. In the run up to the great collapse emerging market economies could be categorized as those:

1. That contributed directly to global imbalances by pursuing export-led growth policies and played an important part in global capital misallocation. Asian countries feature on the top of this list. They accumulated massive amounts of reserves, an extreme situation not mentioned in any economic textbook.

2. That created their own imbalances by growing beyond their potential rate of growth. These were the beneficiaries of misallocation of capital in a sense. Part of their interim economic success was achieved by excessive credit growth. Foreign exchange financing of domestic demand growth was

TURKEY WILL AND SHOULD BE RUNNING A CURRENT ACCOUNT DEFICIT SINCE THE RISK-TAKING TENDENCY WILL BE REWARDED BY THE INTERNATIONAL SAVERS AND LEAD TO HIGHER LEVELS OF GROWTH.

rampant, particularly in the countries of Eastern Europe and the Baltics. As a result, current account and/or fiscal imbalances were common problems in these countries alongside overvalued currencies.

3. That sat in between the first and the second group. These were mainly commodity and energy exporters, which grew faster than their potential on the back of price increases of their primary export products. Although not contributing directly to global imbalances the commodity boom also led to accumulation of reserves in resource rich nations. Their central banks intervened to stem the rise of their already overvalued currencies against the dollar at some stage. The Dutch Disease ensued.

As the crisis evolved from being a subprime crisis in the US to a global economic implosion in the wake of Iceland's default all these vulnerabilities were fully exposed. In some sense this crisis hit the immune system of the global economy. As such wherever there was a weakness or imbalance of some sort it had to be corrected. The first group relied heavily on global aggregate demand growth. The freezing of trade finance together with the collapse in world demand hit these countries hard. Now the US is forced to balance its economic growth profile away from consumption and more towards investment and exports. Therefore this group of mainly Asian nations has to develop more domestic led economic growth strategies. The last group had to deal with collapse in commodity and energy prices. This is not such a homogenous group of countries so their respective policy responses and economic models as they move forward will differ. Last but not least is the second group which had to go through a massive domestic demand adjustment to address their imbalances. Thus they are dealing with a terrible collapse in their economies. Initially overvalued currencies and high external debt left these nations hostage to changes in the global market sentiment.

Crisis in Turkey? What crisis?

The timing of the crisis was rather inopportune for Turkey. The country was at that stage of its cycle when the economic snapshot resembled that of the economically challenged regional neighbors in Eastern Europe and the Baltics i.e. the second group above.

Since this was not a home-grown crisis the Turkish government could not immediately appreciate the gravity of the situation and prepare the public for the tsunami approaching from the West. Given that this was primarily a financial crisis there appeared to be over reliance on the strength and health of the Turkish banking system. Indeed the banking system was in good shape. The banks had no excessive risk on their balance sheets because of the distress the country and the sector faced before 2007. Similarly the domestic demand driven economy was expected to insulate the country from external shocks.

Consequently the Turkish economy and particularly the private sector, which had been amassing large sums of external liabilities, had to de-leverage. Fiscal books had been on the mend since the 2001 crisis. Over this period the improvement in the public side coincided with a sharp deterioration in the non-bank private sector's financial position. This resulted in a large current account shortfall. The emerging picture called for securing external financing early in the down cycle. The government's decision to shun the IMF and face the crisis alone had dire ramifications in terms of the pace and the depth of the adjustment. Credit markets ceased to operate. Collapse in business and consumer sentiment was the harbinger of a deeper than expected adjustment. Thus as in most of the crisis-hit countries there was a sharp and rapid shift in domestic savings from public to private sector. Thus, the fiscal position deteriorated fast.

The aftermath of the adjustment

Saving deficient countries are always at the mercy of international capital flows. Turkey falls in this camp and the nation's fortunes will continue to be tied to the global sentiment. That said there are two important mitigating factors that will place Turkey in an advantageous position in the post-crisis world economic order:

• *Absence of risk takers in the post-crisis financial world:* This means countries that are willing and able to take longterm risk will likely attract the necessary capital. Turkey has proven to be capable of managing current account deficits. Here I would like to touch on a popular misconception: the notion of "financing of the current account deficit". This phenomenon is mathematically and economically wrong as balance of payments dictates that capital account always equal the current account under free floating regimes. The currency is the vehicle through which this equation holds. Investment and economic communities insist on starting the analysis from the current account side of this equation and try to find capital inflows to finance it. However, if overseas capital were to flow into a country, that country *has to* run a current account deficit. Given this, Turkey will and should be running a current account deficit since the risk-taking tendency will be rewarded by the international savers and lead to higher levels of growth.

Demographics: The age-structure of a country is the single most important determinant of its economic, monetary and political choices. And the key ratio is the balance between people aged 15-40, and those aged 40-65. For the former - the youngsters - have a markedly different attitude towards savings and consumption, between cash flow and balance sheet concerns, than the latter. The younger cohort is far more likely to take risk with their income than save it, letting tomorrow's balance sheet look after itself. The older cohort, by contrast, becomes increasingly obsessed with their personal balance sheets - after all, that's what they've got to retire on.

Turkey is demographically so young it looks like Japan around 1960, during that country's take-off period. Its economic and financial structure shows its youth. Hence Turkey's growth prospects are far superior to those in the rest of the demographically challenged countries.

These two issues will ensure that if there will indeed be a global risk aversion there is tremendous opportunity for Turkey to grow by attracting foreign savings without being unduly concerned about running a current account deficit. Overall balance of payments should look relatively healthy.
of the longer term structural issues in Turkey. The country has been too reliant on consumption to grow. Consumption to GDP ratio is high at nearly 70% of GDP. Domestic demand-led growth is desirable in a world where trade will suffer in the next few years. Yet, this figure is too high and compares poorly with the other emerging market countries at the same stage of economic cycle as Turkey like Brazil, South Africa and Indonesia (all at 61%). Turkish ratio is similar to that of the USA and needs to be normalized over time to have a more balanced growth profile. Failing to do so will keep the current account hostage to any recovery in consumer demand.

This is not the kind of domestic demand-led deficit that is desirable. I refer to a current account deficit caused by higher investment and not consumption, over savings. Lower levels of consumption will free up local funds to be channeled to higher long term investment and will support higher investment at any given level of external deficit. The residual amounts can be financed from abroad. That said this ratio tends to be sticky and takes years to come down. Conversely for example China has been trying for years to move the growth driver away from investment towards consumption but the ratio is still stuck at 35%, one of the lowest in the world.

Debt ratio trajectory

Probably the biggest fallout from the current crisis will be the rising public debt in the developed world. This was a result of large fiscal deficits brought about by the bailout of financial institutions and the fiscal stimulus that aimed to avoid even deeper and longer recessions. In the case of the US for example the fiscal deficit is forecast to reach 13% of GDP for the current fiscal year, 11% next year and still 6% by 2019. Figures like these will bring the debt dynamics concept back to the forefront of investors' mind.

Current debt monetization by central banks mitigates this problem by keeping bond yields low and helping treasury departments finance debt at relative ease. However, this cannot go on forever and soon bond vigilantes will be firmly in the driving seat. They can at once punish central banks for keeping monetization on for too long that might give way to inflation further down the road by demanding higher yields for longer term debt. Equally in a world deprived of longer term growth drivers debt management will be made difficult as the denominator in the debt/GDP ratio will be growing much slower than in the last cycle.

As the focus eventually shifts towards debt sustainability Turkey, with its long history of high debt to GDP ratios (albeit in much better shape than after the 2001 crisis) may come under the spotlight. Thus the government needs to introduce a credible medium to longterm plan that clearly identifies the longer term growth drivers and guarantees fiscal prudence. Growth needs to be restored and real rates kept low while reverting to a trend of primary surpluses.

In the case of real interest rates Turkey has been enjoying historically low levels given the severity of the downturn. However, this may not last and real rates can climb up complicating debt sustainability. In that regard more can and should be done to anchor long-term inflation expectations. I do not understand Turkish Central Bank's reluctance to lower its targeted inflation level. After all current targets were calculated assuming positive growth rates for 2009. It is now highly likely that the nation will achieve the same growth rate with a negative sign before it.

In the same manner that targets were missed because of high commodity prices in the years prior to the crisis, there ought to be a symmetrical undershoot given how horribly growth suffered. I do not see any reason why Turkey should not be targeting 0-3% inflation in this cycle and move out of the higher inflation league of countries. Longer-term

DEVELOPING COUNTRIES DID NOT CAUSE THE CRISIS THIS TIME AROUND. THEY SIMPLY IMPORTED THE PROBLEM FROM THE DEVELOPED WORLD. YET THEY WERE HARDLY PART OF THE SOLUTION EITHER.

interest rate implications for this will outweigh any shorter-term costs, which I believe to be very little.

I am not advocating rate rises at this stage of the cycle. I argue that a clear policy intent by the central bank could help reshape expectations. This can be the biggest triumph for Turkey from this crisis as the other adjustment - current account improvement - may prove short-lived once the country returns to normal levels of growth. As long as growth is investment driven I do not see an immediate danger for Turkey running current account deficits. But the cost of reversal in the disinflation trend can be high especially when debt dynamics become the main global risk.

As external accounts adjust on the back of a sharp contraction in domestic demand and dis-savings shift to the public sector, external financing needs also have been transformed to domestic fiscal deficit funding. Here again the decision not to entertain an IMF program and funding can lead to the crowding out of the private sector and potentially to higher yields. Slower growth will ensue alongside sticky unemployment. The tail risk then becomes a vicious

THE GOVERNMENT NEEDS TO INTRODUCE A CREDIBLE MEDIUM TO LONG-TERM PLAN THAT CLEARLY IDENTIFIES THE LONGER TERM GROWTH DRIVERS AND GUARANTEES FISCAL PRUDENCE.

cycle of slower growth and rising fiscal deficits potentially leading to problems on debt sustainability.

There is absolutely no room for complacency on the back of rebounding markets and stabilizing confidence. As Yale Professor Robert Schiller points out in his New York Times article (30 August 2009) "*a social epidemic* is supporting renewed confidence... confidence can grow with contagion... But in an economy which is still unstable stories can morph into different forms, the price feedback can turn downward and the dynamic could turn ugly".

Turkey worked really hard to achieve low public debt and a steady trend of disinflation. At this stage there is too much at risk. The country may not need an IMF program but a credible medium-long term plan is a must. Such a plan can reduce the risk premium and pave the way for Turkey to get a disproportionate share of the rising global savings surplus. In such a case a vicious cycle will not only be avoided but quickly turned into a virtuous one.

New world order

The current crisis has only helped accelerate the transformation of the world economy from a US centric world to a multi-polar one. The relative decline of the US has been obvious for some time but the financial sector implosion and subsequent deep recession have provoked a deep re-think of the Anglo-Saxon version of capitalism. In essence the Unites States has considerably lost its moral authority to guide and influence the rest of the world in economic and financial matters.

The crisis has also seen the peaceful rise of China as the second pole. This has been happening for a while but the relative economic shift in power has accelerated. "Chinese demand will save the rest of the world" has become almost consensus nowadays. I do not subscribe to this line of analysis because the Chinese demand is too small compared to demand from G3. Still, we are indeed observing the re-alignment of the Asian regional economies to service China, undoubtedly outweighing Japan.

Russia's ascent has no doubt been supported by the rally in commodity and energy prices from 2003 to 2007. In the near term I expect energy prices to be well bid, albeit lower than previous highs reached with world demand on steroids. However, I do not see this as a cyclical phenomenon. I believe energy scarcity will be a longer term structural issue. This will keep Russia as a power to be reckoned with, in addition to its strong military and its ability and willingness to project this power. Energy dependence in Europe and historic ties with the ex-Soviet republics will likely create a new grouping around a strong Russia. So Russia will be once more one of the shapers of the new strategic order.

Such developments and the new realignment in world politics bode well for Turkey's prospects. Turkey is known to strive during periods of multi-polarity. It fares a lot worse during periods of single power dominance in the world. I believe that is probably due to policy inertia within the country. On many occasions in history Turkey failed to take longer-term strategic decisions. The main culprit remains the lack of consensus on the country's global and regional orientation among the local population. The Meisnerr Effect in physics - a universal principle in nature -- states that internally coherent systems possess the ability to repel external disruptive influences. Incoherent systems on the other hand are easily penetrated by disorder from outside. Since such influence is less pertinent under a multi-polar world order Turkey manages to muddle through without committing a great deal to strategic and discreet decisions on foreign policy. So overall this new political development is positive for Turkey and means external pressures are less likely to cause internal political upheavals. I finally turn to the issue of EU membership. As I mentioned earlier Turkey's growth prospects are far superior to those in the rest of the EU. But the demographic structure is absolutely fatal for any notion that Turkey should or can share common monetary and fiscal policies, or even monetary and fiscal goals, with an aging Europe. It's like asking Indonesia to share Japan's monetary and fiscal preoccupations. No amount of political will or wishful thinking can change this. Demographics is nine-tenths destiny, so Turkey's destiny cannot be economic and financial convergence with the terrified pensioners of the EU. This may not exclude Turkey from EU membership, but it does mean that "convergence" has its limitations. Alas I am concerned that the aforementioned policy inertia may result in Turkey becoming a full member exactly when this is least expected and desirable.

That said I believe the *rule of law* to be the most important thing that distinguishes a developed country from an emerging market. Accordingly Turkey should pursue convergence with the EU along this path whether or not full membership is guaranteed.

Conclusion

In this essay I analyzed in broad terms the underlying reasons that brought about the worst crisis since the Great Depression. I discussed its aftermath with special emphasis on emerging markets and Turkey. I concluded that:

Wrong and correlated forecasts along with the difficulty of pricing complex products combined with excessive leverage caused the perfect storm.

Blaming greed, capitalism and use of derivatives for the crisis completely misses the point.

Emerging markets were not featured as the culprits but to some extent contributed to the crisis.

Turkey along with its regional neighbors had to adjust its own imbalances in the short term. It must change its growth mix in the long run away from consumption and towards more investment.

The post-crisis world would likely have ample surplus savings due to higher risk aversion. Turkey with its young population and its ability to successfully manage medium term external deficits can benefit from the redistribution of global capital.

The emerging multi-polar world is more beneficial for Turkey given its tendency not to take long term strategic decisions.

EU convergence should be more about importing the "rule of law" than seeking full eventual membership as Turkey's demographic structure is not conducive to run the aging EU's economic policies.

Erda Gerçek *is an independent strategist and portfolio manager*

I am grateful to Woody Brock of Strategic Economic Decisions and Michael Taylor of Coldwater Economics for their research contributed greatly to this essay.

cover story

Turkish lessons for the world crisis

Ali Ağaoğlu

The financial crisis has wreaked havoc in the world. Since its onset in 2008, most banks in developed countries have either lost their capital and/or sustained considerable damages to their balance sheets. Yet, over the same period, the Turkish banking system has registered significant profits. Before exploring how the Turkish banking system performed so well, let me present a brief review of the origins of the crisis that led to an unraveling of the Western financial architecture.

In 1999, during the Clinton administration serious steps were taken towards deregulation in investment banking. This policy found considerable support in the early years of the Bush administration as well. License for a more "unfettered", more liberal banking practice enabled investment banks to take much higher risks than their capital would otherwise permit. The 1933 Glass-Steagall Act, which had drawn clear boundaries between investment banks, commercial banks and insurance companies, was replaced in 1999 with the Gramm-Leach-Bliley Act. That legislation eliminated the existing boundaries between different segments of the financial industry and increased the magnitude of risks taken by firms. Capital adequacy ratios were considerably lowered. By the time Lehman Brothers failed, the risks it had taken were reportedly 40 times its capital base. In comparison, this ratio is around 8 in the Turkish banking sector.

The housing bubble in the United States followed Fed chairman Alan Greenspan's decision to cut interest rates down to 1 percent in the wake of 9/11. This led to a massive expansion in mortgage financing. rapid growth, in turn, paved the way for the emergence of derivative products. These had shoddy risk calculations and were completely untested for the proper functioning of their sub-mechanisms. Derivative products were in high demand worldwide as they promised higher returns compared to traditional asset-backed securities. It was in a sense another "gold rush".

The risk of rapidly increasing loans in the United States was thus spread across the globe. This system worked smoothly as long as housing prices continued to rise. When economic growth could no longer generate enough jobs and income, the uptrend in housing prices came to a close. The house of cards that was built on rising housing prices between 2001 - 2007, suddenly collapsed. The crisis that broke out in the American "subprime" mortgages rapidly spread to the rest of the developed markets, and finally to the entire "globe". Interbank transactions came to a halt first. This was followed by a freezing of loans. Then came bank failures and a fearsome crisis of confidence.

The solution devised to overcome this crisis, which was a consequence of excess liquidity in the first place, was to inject more liquidity into the system. Federal Reserve (Fed), followed by the Bank of England (BoE) and the European Central Bank

(ECB), first pledged to pump unlimited liquidity into the banking system. Then they all cut the interest rates down to a "theoretical zero", that is the lowest acceptable level of interest rate for each central bank -while the Fed reduced it to zero in effect. Mechanisms to provide the banking system with liquidity were inserted under various names such as TARP and TALF. Fed and BoE went so far as to purchase the distressed assets, and the subprime mortgages that led to the crisis, at their "nominal values (!)". Even accounting rules have been changed for mark-to-market practices. However, none of these measures since 2007 could avert the failure of 149 banks-and still counting-as of November 6th 2009 (Source: FDIC).

So how has the Turkish banking system managed to be "immune" to all these adversities experienced in the West? The answer is simple: It had already paid the price back in 2001. 22 banks had been removed from the system-an operation that cost the country 31.9 percent of its GDP in 2001 according to the Turkish Banking Regulation and Supervision Agency. program. These included:

• Establishment of an independent Banking Regulation and Supervision Agency (BRSA). An entirely new supervision system was set up.

• The Saving Deposit Insurance Fund (SDIF), which had formerly operated under the Central Bank, was placed under BRSA's control.

• Bank deposits were fully guaranteed by the government.

• 22 of the 79 banks then in operation, were "seized" by the SDIF, which acted as the monetary arm of the BRSA. All assets and obligations of these banks were transferred to the SDIF while the dividend rights of shareholders were safeguarded. In effect, however, no dividend payment was ever made since all of these banks had registered losses.

• A special law was enacted to ensure collection from the dominant shareholders while amendments were made to the Enforcement and Bankruptcy Code to facilitate the collection of loans extended by the banking system.

Unlike what the Fed and other central banks in the developed world did during the 2008 crisis, Turkey had taken the much harder and painful path, and paid a very steep price: More than 30,000 bankers and financial sector employees lost their jobs.

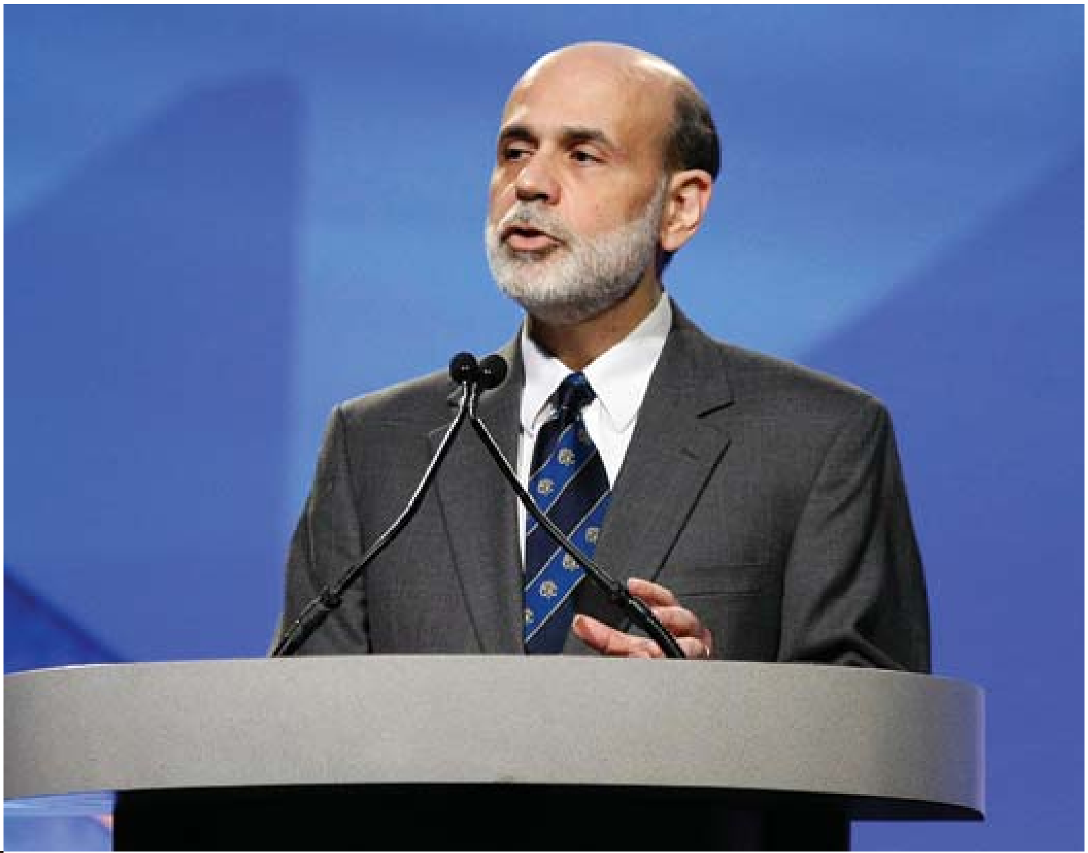
From 1996 to 1999, Turkey had also nurtured its own housing bubble, even if not as sizeable as the one in the U.S. Already struggling to cope with the chronic problem of twin deficits in its current account and trade , Turkey was confronted with a serious funding problem as a result of the Russian and the ensuing Asian Crises in 1998. The failure of weak coalition governments and decision-makers to correctly analyze the situation brought the country to a critical junction in the second half of 2000. Unable to continue on its own, Turkey had to sign a new stand-by agreement with the IMF.

Several steps were taken both before and during the IMF

• Deposits in the seized banks were transferred to commercial banks via special tenders in exchange of bonds Basically, it was a cut & paste operation. T-bills and deposits (i.e. asset and liability) of seized banks were taken out from seized banks' balance sheet and transferred to a viable bank's balance sheet. This practice was and is still unique in the global finance literature.

• Banks that continued their operations after the IMF agreement were issued specially designed securities with 3-and 5-year maturity by the Treasury. As a result of the swaps made with the banks through these securities, exchange risks were transferred to the Treasury.

• The banking industry was subjected to a stress test and three banks that were found to be in need of capital injection increased their capitals.



Major financial institutions that had played leading roles in instigating the crisis were not allowed to fail. This preference was virtually an attack on the fundamental tenets of the free market system.

• Parallel to international practices, the use of Asset Management Companies in the resolution of Non-Performing Loans (NPLs) in SDIF's portfolio was adopted over time. Thus, a new "sub-sector" was introduced to the financial system.

Unlike what the Fed and other central banks in the developed world did during the 2008 crisis, Turkey had taken the much harder and painful path, and paid a very steep price: More than 30,000 bankers and financial sector employees lost their jobs.

Western central banks and governments, on the other hand, chose the relatively "easy" path. Rather than trying to sober up this intoxicated drunkard under a cold shower, they served him more booze. But wasn't excess liquidity at the heart of this crisis? Wasn't the crisis the result of excessively "inflated" asset prices due to excess liquidity? Then how could injecting more liquidity into the system be the solution?

The way to resolve a deadlock in the interbank market as quickly as possible is to pump liquidity: As banks do not trust each other, they "sit on" their liquidity, depriving the economy of its vital blood circulation. But, while giving an emergency "blood transfusion" with fresh liquidity was necessary, problems that caused the symptoms in the body should also have been simultaneously analyzed, rapidly diagnosed and a treatment should have been initiated.

This was not done! The solution was left to time. Instead, the banking system was expected to register considerable profits in the stock markets with this "free money" and put their balance sheets in order. Such steps taken in line with the motto "What's good for Wall Street is good for the Main Street" would actually do nothing but delay the day of reckoning.

The appropriate remedy should have been to make a distinction between the good and bad apples, clean the system of the latter, and carry on with the former just as Turkey did in 2001.

Steps taken in line with the motto "What's good for Wall Street is good for the Main Street" would actually do nothing but delay the day of reckoning.

Unfortunately, nobody dared do this. The only plausible action that remotely resembled a solution was to merge financially distressed organizations with fairly robust ones. That way though, the so called "zombie banks", which should have been eliminated, remained in the system. Distressed banks were patched to the healthy ones-an action that seemingly bailed out the failed bank while in reality "infected" the healthy one.

The Fed's decision to buy the distressed assets at the banks' balance sheet values did not just hinder the dynamics of the "free market" it also generated a new source for "moral hazard" in the system. Everyone can take risks to their heart's content, since they will all be bailed out regardless. Why act responsibly? Adding insult to injury, nobody is sacked anyway! (How many top US banking executives have lost their jobs in the recent crisis?)

This brings us to the real problem at the intellectual level: Major financial institutions that had played leading roles in instigating the crisis were not allowed to fail. This preference was virtually an attack on the fundamental tenets of the free market system. Radical methods that were avoided on the premise that they were "costly", would actually have cost much less than the "populist" ones such as the stimulus packages introduced by almost all countries. Indeed, if confidence in the system is irretrievably lost then we run the risk of facing incalculable damages since we cannot replace the current system with a new one in the near future.

There is still time though to correct our ways. The West should revisit the Turkish and Japanese experiences make the proper comparisons and draw the appropriate lessons from these. Had such an analysis been done right at the onset of the global crisis, a considerable portion of the resources that have so far been spent would most likely not have been "wasted".

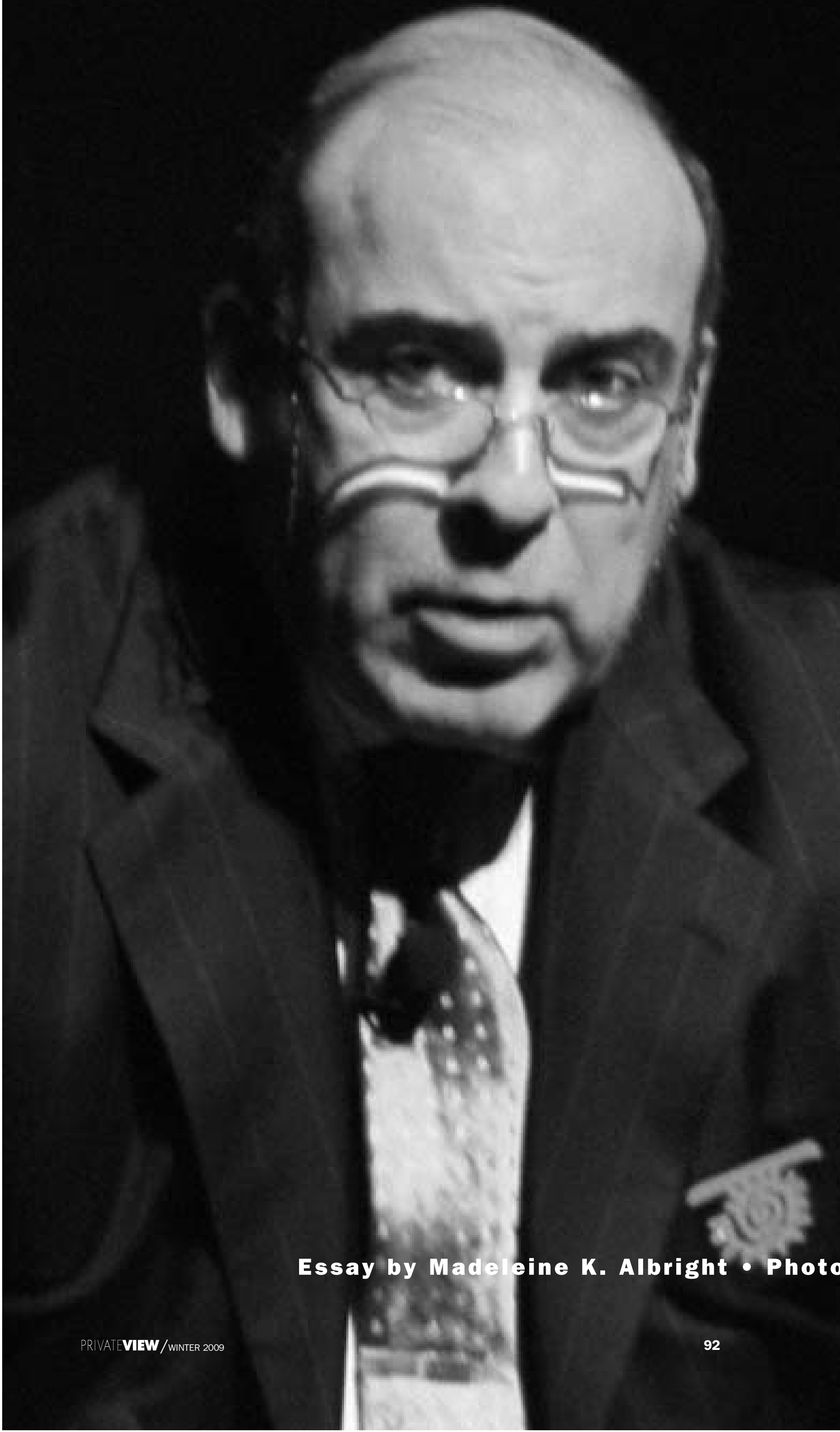
One of the reasons why the Turkish banking system could be "cleaned" relatively easily was that it did not have many derivative products on its balance sheets. Turkish banking system has traditionally kept its distance from derivative products and preferred to conduct its business on a "cash" basis. In other words, it has conducted its operations on-balance sheet rather than off-balance sheet.. This was also the case in 2008. Accordingly, the damages sustained in both crises were easier to reverse.

When we look at the global picture once again what we see is a chain of confidence and credibility crises. Calling the belief in free market into question, keeping the executives who are responsible for the crisis in their posts, the unrestrained risks taken by these executives (a behavior induced by their bonus systems) and the failure to delimit derivative products and the risks taken in proportion to capital, end up deepening the "credit risk" in the system. The crisis of confidence among banks, between banks and companies, companies and banks, between banks and their customers, and between individuals and banks is not overcome under these circumstances. The climate of mutual trust has been breached. Unfortunately, the measures adapted to date have proven insufficient to reinstitute it. And in this state of affairs, it is virtually impossible for the real economy to pull itself together, to make new investments and to reverse the rising trend in unemployment.

Critics of the Turkish banking system pose the following question; "If Turkey had such a strong banking system, then how come the industrial production, exports, capacity utilization, and finally, growth have recorded such a decline while unemployment reached such high levels? Well, improving the above-mentioned criteria are not part of the job description of banks. These fall under the job description of governments. Maybe adding one question would be in order: What if on top of all the above the Turkish banking system was weaker?

Ali Ağaoğlu *is the editor-in-chief of Fortune / Turkey and a columnist for Vatan Newspaper*

MUHTAR KENT



During the last week of September 2008, the world's financial markets were beginning to unravel on word that Wall Street powerhouses were in serious financial trouble. A federal bailout plan was being hotly debated. The focus of the historic US presidential campaign had shifted almost entirely to the economy.

Coincidentally, on September 24, I was in South Florida participating with many high-powered individuals from the world of business, academe and journalism in a discussion about the shifting balance of political and economic power around the world.

This meeting and stimulating conversation were not part of a typical conference. It was Coca-Cola's Global System Meeting and our host was my friend, the dynamic President and CEO of The Coca-Cola Company, Muhtar Kent.

Essay by Madeleine K. Albright • Photograph by Coca Cola Company

Unlike many others, Muhtar clearly saw, months earlier, a future lining up that was going to be dramatically different than anything his generation had ever experienced.

As he stood at the podium in front of his company's top leadership team and the leaders of the bottling companies from around the world, he was frank, focused and full of his trademark passion and zeal. Muhtar's ability to turn challenges into opportunities, and to think outside the box, was reflected clearly on that day. He very deliberately told his team - "we can't waste this crisis".

"We have a unique chance to come out of this tunnel a much better organization than when we entered", he told the crowd. He then began to lay out a vision of what the next decade would look like for Coca-Cola when a billion people around the world would ascend to the middle class, urban populations would continue to grow, and as conditions would develop for more on-the-go consumers to convert to portable beverages.

"The unprecedented opportunities coming our way between now and the year 2020," he said, "will make the current difficulties a distant memory in very short time".

If I had not known Muhtar so well, I would have been inclined to think he was perhaps over-selling the future.

But I have learned one truth about Muhtar: He is a man of conviction.

He is a consummate globalist and relationship-builder --a man of action who possesses unbridled energy and a positive outlook, not just about business, but about life itself. When I first met Muhtar, I was struck by his old world charm and new world thinking, which he comes by quite naturally.

The son of Necdet and Sevim Kent, Muhtar grew up in the tradition of the great Ottoman gentlemen. His father was a Turkish Consul General and was called the "Turkish Schindler" for risking his life to save Jews during World War II, a heroic act that was recognized posthumously in 2005 by The International Raoul Wallenberg Foundation. His great uncle and namesake, Muhtar Kent, was a contemporary of President Atatürk and served as the first Turkish ambassador to Washington, D.C.

Muhtar was born into this diplomatic life. He spent his youth living in the US, India, Poland, Thailand, Sweden, Iran and Turkey, where he attended Tarsus American College before attending university in the UK.

After university and a stint in the Turkish military, he moved to New York with $1,000 in his pocket and an invitation to stay with a relative. His big break with The Coca-Cola Company came when he responded to a help wanted classified ad. "I'm living proof classified ads do work", Muhtar likes to say with a self-deprecating smile.

Muhtar's impressive career has spanned positions in marketing, customer service, operations and strategy in markets all around the world. He has run fast-growing markets like Turkey and helped Coke establish a presence in Russia and the former Soviet republics. He has managed Coca-Cola's dynamic markets across the Pacific Rim and has led the company's entire international operations. In 2007 he was named the company's COO. On July 1, 2008, Muhtar succeeded his long-time colleague and friend Neville Isdell as the CEO of The Coca-Cola Company.

Muhtar has an uncanny ability to relate to a wide range of people and ideas. He is as comfortable talking about production-line logistics with bottling plant employees as he is discussing global water projects and agricultural innovations with UN Secretary General Ban Ki-moon, or the merits of olive farming and Roman antiquities with friends who share similar passions.

Muhtar can see the world through many different lenses, and understands that there is more than one way to promote understanding. I was privileged to see this first-hand during a trip to India nearly two years ago when Coke was still defending itself from critics who claimed it had mismanaged water resources there.

Muhtar spoke to a group of government leaders and related personal stories about his childhood memories of India and how the nation and its people had inspired him. He told the audience: "At a very young age, I fell in love with India and her rich cultures, warm people and breathtaking natural wonders - all of which have come to define the extraordinary spirit of this land".

Muhtar then announced the creation of The Coca-Cola India Foundation that is dedicated to promoting and safeguarding the nation's natural resources and environment.

Watching this episode play out, it became clear to me that Muhtar represents a new breed of business diplomats, and that he is passionate about playing such a role.

In a recent acceptance speech for a global leadership award given to him by The US Council for International Business, for instance, he talked about growing protectionist sentiments here in America and around the world. Instead of placing the blame on anti-globalization protesters and their rhetoric though he challenged business leaders to do a better job of promoting the benefits of global trade and development.

"Our actions must speak louder than our words. We must all keep in mind that in foreign affairs, corporate diplomacy is becoming as important as political diplomacy". A critical component of that diplomacy is business working with governments and civil society to ensure the sustainability of the communities in which they operate.

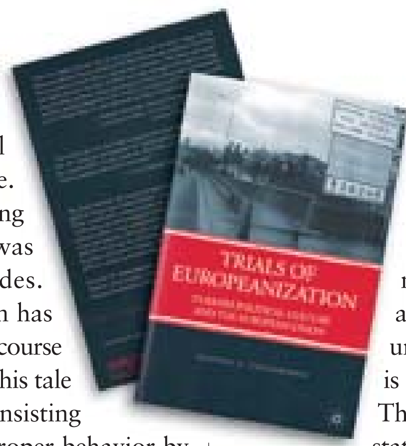
At the meeting in South Florida, Muhtar reminded his top leadership that "competing in a global economy takes more than gaining market share -- it also requires a deep sensitivity to the consumers and communities we serve, the natural resources we consume, the people we employ, and all the stakeholders we touch who place their trust in us."

Prophetic words for a leader who already has one foot in the future and the other guiding his company to a brighter world.

FROM ORIENTAL TO WESTERN

EU and TURKEY: do the liberal thing

Nilüfer Kuyaş



When I was a student in the 1970s, most people I knew did not expect to see the political liberalization of Turkey in their lifetime. Punches from military coups kept knocking the country down and what the referee was counting were years, sometimes decades.

Today the pace of political liberalization has reached a rather advanced stage. There is of course a benign but stern fairy godmother behind this tale of transformation- the European Union, insisting on strict judicial democratic reform and proper behavior by the military and promising many riches and happiness in return.

If that's the kind of story you like, this is the kind of book for you, but be warned, the ride is not easy.

Path dependence theory, social learning, the two-level game model, the historical institutionalist approach and political culture - these are some of the conceptual tools which the Greek scholar Ioannis N. Grigioriadis expects the reader to engage with in his book **Trials Of Europeanization: Turkish Political Culture and The European Union.**

This is a scholar who keeps a tight rein on his case study so as not to lose sight of the theoretical perspective. I went along with him and played the game to see if it would enhance the enjoyment of the book. I shall be honest: It does, but there is a price to pay - you won't forget for a minute that this is a doctoral dissertation which has seen the light of day, as opposed to hundreds that remain in the dusty shelves of university libraries around the world; both a privilege (well deserved by the author) and a burden (which readers have to take in their stride).

I nevertheless wish that instead of publishing his doctoral dissertation as it is, the author had re-fashioned it as a book in its own right.

The issue at stake is whether a country like Turkey can make the crucial and painful transition from "subject" to "participant" political culture, with all the fraught shadings in between. Although the theory is quite complicated, I shall try and make things simple here.

I understand that a subject political culture is exactly that: A political environment in which we are not only subjects of a state but also subject to a state, in the sense that the state overrides everything, and as citizens we need to harbor few illusions, whatever being a citizen may mean in that context. Grigoriadis underlines a corollary to this, whereby there is a perception of the state as "transcendental". The traditional Ottoman-Turkish cult of the state is a case in point.

A "participant" political culture on the other hand, is something more along the lines of a pluralist model of state-society relations based on democratic negotiation and therefore embodies something like what Dr. Grigoriadis calls "the European liberal paradigm". This would correspond, in theory, to a more "utilitarian" vision of the state, whereby the state is considered "to be an instrument for the promotion of individual private aims... (it) prioritizes individual over state interests".

Although in terms of individual empowerment this instrumental-liberal paradigm is not always the picnic it is made out to be either, it is doubtless a climate where one can breathe more easily.

Now, it is no secret to anyone that Turkey has traditionally been a virulently illiberal democracy. Quite an authoritarian one in fact. (These are my words, not those of Grigoriadis). But it is no news either that Turkey has been doing its utmost recently to engage on a democratically more liberal path. How successful has it been so far and what role has its aspiration towards EU membership played in this?

The author is an optimist and declares quite early in the book that "The success of Turkey's conversion from an 'Oriental' to a Western European state could provide us with evidence that elite-based institutional reform programs have some chance of success, no matter how adverse the social and political environment".

A sentence that begins and ends with the word "success" should not turn our heads, though, for the adverse circumstances get a full hearing in the book. The author believes that political culture is not something written in stone and can undergo change (hence the social learning); he argues that this is exactly what has been happening since EU-Turkey relations started improving lately and as a consequence liberalism has begun to make inroads into Turkish political culture.

The story begins in the 1990s, when the relationship between Turkey and the EU genuinely took off and the political integration of the EU as an emerging historical institution began to have an impact on the domestic structures of its member or aspiring-member states.

Dr. Grigoriadis presents his discussion around four key issues: Civil society, the state, the secularism debate, and finally, Turkish national identity.

The book is organized in grid-fashion, whereby in each chapter that deals with each of these issues in turn, we have the same technique of treatment: Some conceptual clarification starts the ball rolling, followed by historical background relevant to the issue at hand, whereby the Ottoman legacy and then Republican modernization from the 1920s onward is summarized.

Then the process of intense reform that started in the 1990s is treated in detail, after which the role of global actors is seen to, including factors like the impact of post-Cold War strategic changes or the influence of United States policy.

Dr. Grigoriadis then discusses the role of the EU, which he follows with a discussion of Turkish domestic actors, such as the state elite, the bureaucracy, the business community or intellectuals. This brings us to the afore-mentioned two-level game model: International negotiation with the EU on a reform agenda changes the framework of national debate, where governments negotiate with domestic political actors in their turn over the implementation of that agenda.

The ultimate goal is "The convergence of the candidate state to preset EU standards; Nonetheless there is still room for negotiation on what constitutes 'convergence' with the Copenhagen Criteria". In other words, the two levels of the game off-set each other like a double helix process of change and reconstruction.

Finally, some theoretical observations are made in each chapter on social learning and path dependence, and the discussion of the issue is wrapped up by a brief conclusion. The same pattern of exposition is repeated in every chapter.

Now this grid method is unfortunate in one sense; it makes the book feel like one is following a course in college and can be off-putting at times, but it makes the understanding of some very complex issues much easier. Social learning, just like political socialization is a concept that is intuitively graspable. But "path dependence" is, at least for me, the social-psychological concept that makes this book a gem.

Imagine a Turkish politician, a prime minister like the present one for example, Mr. Erdoğan, who leads the Justice and Development Party in power at the moment (AKP in Turkish parlance, which the book happily adopts) who is anxious to get some difficult act of reform or liberalization through Parliament and is also keen to have public opinion embrace it as well.

Well, let's take his recent move to end PKK terrorism and the Kurdish problem through a kind of IRA-style disarmament to be followed by peace talks, presumably - an issue that rages on as I write this. Could he possibly have taken such a step without some precedents that have prepared both society and the polity for such drastic, nay unthinkable change? Clearly not.

In the chapter on national identity, where questions of ethnic versus territorial nationalism are discussed, Grigoriadis gives a good example of this. He points out how "The Working Group on Minority and Cultural Rights", a committee under the Office of the Prime Minister, made public an influential report in October 2004, advocating a purely civic national identity; the report was critical of human rights abuses of non-Muslim minorities, and condemned ethnic overtones in national identity debates. It called for constitutional and legislative change.

After discussing this report and the considerable uproar it caused, Grigoriadis narrates how the AKP government had to take a step back from its own initiative and how PM Erdoğan "carefully distanced himself from the report". One year later, however, the same Erdoğan made an historic speech during a visit to the Kurdish region in August 2005 where, according to Grigoriadis, he admitted the serious administrative and political mistakes the state had committed in the past in its treatment of the Kurdish problem.

"He admitted that denying the existence of such a problem did not befit Turkey. He also linked the Kurdish question with the general problem of democratization in Turkey". Without that initial report, that speech could not be made a year later; without certain previous legal reforms that eased the tutelage of the military over Turkish democracy and sized down its role as boundary setter in what is or isn't acceptable, that report would not have been so timely nor seen light of day; and conversely, without EU pressure on Turkey to do something about precisely that military tutelage, none of the above events could have occurred.

So that is what path dependence is, apparently. Once you start down a path and take certain steps along that path, your actions start reinforcing certain elements, then you come to a point and there is no going back after that. You cannot turn back. Not even if you wanted to.

There is a sense in this book that Turkey may have crossed that Rubicon, as a result of intense reformist momentum in the past twenty years. But things are so neatly fitted into a theoretical framework in this book that ultimately, I suspect we might not be seeing the trees for the forest, to coin or rather to un-coin a phrase.

Grigoriadis is by no means unaware of the historical irony in the fact that unprecedented democratic liberal reform is at the moment taking place in Turkey with an Islamic oriented political party at the helm. Until recently the AKP had to prove to the state elite and the public at large that it has no secret agenda to overthrow the constitutionally secularist foundation of the Republic.

Be that as it may, Grigoriadis might be a bit too enthusiastic about this. Yes, some deep change is occurring and some irreversible steps have been taken along the liberalizing path. But again theoretical zeal must not override practical sense. It is at this kind of breakages or faultlines that Grigoriadis weaves together history and political theory with great skill but falls a bit short of critical analysis.

At one point in the book he reminds the reader that the Republic founded by Kemal Atatürk is now at such a point, due to strategic circumstances, that it has "no other visible political orientation as favorable as its orientation toward full membership in the European Union". This is in fact what he aptly calls "The Kemalist imperative of identification with - implicitly Western - modernity", which truly has been the driving force in Turkey's political life.

But Grigoriadis also and correctly stresses that although a nation state was built and a democratic framework has been established, issues such as the Kurdish minority, probably one of the chief reasons for the erosion of democratic practice in the country, still renders difficult, if not impossible "the country's convergence with the Western political and civilizational paradigm". He quite rightly says, "the nature of Turkish political culture was one of the issues that manifested the incomplete character of the Kemalist Westernization project".

It is therefore the possibility of completing that project which this book is chiefly concerned with. In that sense, the author is aware that he is talking in a "post-Kemalist" context. Since the AKP is rooted in the emergence of a conservative and religious counter-elite long suppressed in the name of Kemalist principles, such as secularism for example, we can see how truly deep the present historical irony is.

One lesson to draw from this is that any institutional reform program can no longer be only elite-based. Too much has changed for that. It now needs to be, and has indeed become to a certain extent, grass-roots-based as well. Grigoriadis devotes a chapter to the burgeoning civil society movement and the difficulty of the state bureaucracy or the judiciary to keep up with this momentum. But I am not sure that he emphasizes sufficiently the importance of grass-roots liberalization.

He does give various good examples, for instance the broad support to liberalization given by the business community, above all the largest business association TÜSİAD which publishes this present journal and has published influential reports on democratization in the past. Undoubtedly though, not all civil society groups or NGOs possess the same clout as the business community, and I found very little discussion in the book about the severe difficulties grass-roots movements face in their attempt to make a difference.

Grigoriadis states that "The AKP government which came to power in November 2002, has been relatively more receptive to NGOs. When NGO delegations were invited for the first time by the government to discuss a series of political issues arising from Turkey's EU candidacy, the government made a move of major symbolic importance". This is true enough, and Grigoriadis does point out that most NGOs were disappointed by the outcome of these meetings. He nevertheless concludes that "a crucial first step was accomplished: Turkish civil society was accepted by the government as a legitimate social actor". I find this a bit optimistic. When civil action groups tried opening the Armenian issue to discussion several years ago and some intellectuals tried to organize symposia on the genocide question, or more recently attempted to launch signature campaigns for a "personal apology" to victims of genocide, the government acted in an underhanded manner. At times its attitude became openly authoritarian.

The AKP leadership is on the whole very jealous about conceding initiative to other social actors and can sometimes be ruthlessly pragmatic, even opportunistic in its policies. This aspect of political reality in Turkey is not sufficiently appreciated in Grigoriadis' book. As for the secularism issue, Grigoriadis gives an interesting example I believe. He argues that there is a new, liberal secularism in the making, as opposed to the old style state secularism in the Kemalist mould; according to the author, it is "defined on the basis of tolerance and lack of state interference". But once again, I think he forgets that the AKP leadership is highly possessive about this issue and always keeps a conservative reflex ready when the going gets tough. We do not see such a nuanced shading in the picture that Grigoriadis paints. To give him credit, Grigoriadis does seem to suggest at one point that AKP has gone into the liberalizing game out of self-interest, in full recognition that this might be its only chance of survival vis-a-vis the traditional Kemalist and authoritarian state elite.

He says: "The fact that the AKP abandoned the Islamic state project for the sake of Western liberal democratic principles did not mean that it lost its sensitivity on issues of religious freedom; its argument, however, was now based on political liberalism. The establishment of a pluralist public sphere in Turkey was now seen as the solution for the problems related to the public visibility of Islamic identity in Turkey". This is the kind of deeper analysis one misses in this book.

Grigoriadis also seems aware of the fact that political expediency always precedes both democracy and secularism in Turkish history; and compromise, as he rightly puts it, is usually "not in the direction of original secularism but rather toward championing a certain state religion, Sunni Islam of the Hanefi school". This is quite to the point, I think. In this sense, the AKP has not and probably cannot be expected to liberalize religious life in Turkey to the full.

Path dependence is cold comfort to an atheist in this country, or to a member of the Alevi (Shia) sect, not to mention any number of non-Muslim citizens. I think the author of this book is at times only half aware of that fact and does not seem to be much concerned with how religious the public atmosphere has become in the country.

He does make an interesting point in this context, though; the occasional unwillingness of the EU to push for liberalization in the issue of secularism is highlighted in the book; After the islamist Welfare Party was closed down by the Constitutional Court back in the late 1990s, for example, the European Court of Human Rights upheld that decision, an incident which reminds us that the two-level game model sometimes works in unexpected ways and that the AKP cannot always expect to count on the European or liberal card to pursue an Islamist agenda, no matter how softened it may be.

This seems to me at the moment a better guarantee for real freedom of conscience in Turkey than its own riddled Constitution. In this respect Grigoriadis concludes his discussion of secularism with a term appliccable to the entire project of Turkish liberalization: Stalemate.

With all these examples in mind, some of the conclusions that the book draws from this over all discussion are worth dwelling upon. Grigoriadis correctly points out that EU sponsored political reform in Turkey has created a dynamic situation. But, he goes on to say, "the emergence of a more effective civil society and the social legitimation of its role was a *fait accompli*". I already noted that I found this a bit too optimistic. Depending on the seriousness of the issue, the legitimacy rug can be pulled from under any social actor very easily by either this government or by Turkish political culture in general; there is a serious case of psychological warfare going on in Turkey at the moment over this whole issue of liberalization or democratization and, just as an example, it can get quite hard even to practice straightforward journalism in such a political environment.

Individual journalists can find themselves in serious legal trouble, newspapers can find themselves left out in the cold by the government, and the whole media is in total disarray, usually even politically complicit. Although Grigoriadis touches on various examples of issues like this, there is no sense of incisive analysis in his book in terms of *realpolitik*. I took away from this book no clear idea of whether the rule of law has made any significant progress in Turkey at the moment. Many people in Turkey suspect not. Grigoriadis seems non-committal. In his discussion of the state, I found rather more meaty analysis. He does give a good account of EU pressure over deficiencies in the state structure, with special emphasis on the role of the military and what he calls " the illiberal and dysfunctional judicial system" and thus gives well rounded versions of reforms such as the reduction of military control in the National Security Council (MGK in Turkish) thanks mainly to a tough European stand on the issue.

Similarly, on the issue of national identity the book emphasizes "the European Commission reports exerted considerable pressure, describing numerous human rights violations of several minority groups and stressing the need for urgent reform on this issue".

"It would be too early to say that a full transformation of Turkish political culture from the subject to the participant model has occurred. The road toward the full liberalization of Turkish political culture is still long and bumpy".

In terms of how the role of the state is perceived, though, Grigoriadis contradicts himself. At times he feels there is a definite transition from what is called in theory a "transcendental" vision of the state towards a more "utilitarian" one. At other times he feels that traditionalists are resistant to change. He even gives a dramatic example of this: "The military's insistence on the subordination of the Chief of General Staff not to the Minister of Defense but directly to the Prime Minister might have looked like a 'shadow battle' but in fact spoke volumes about the way some of the military still viewed the civilianization of politics".

Thus he arrives at a conflicting conclusion in the end. On the one hand, he says "The process of EU-Turkey negotiations has had a distinct liberalizing impact upon Turkish political culture". On the other hand, he emphasizes that the process, though it seems quite on course at the moment, is by no means stable. He reminds us that "most institutional history moves slowly".

According to Grigoriadis "it would be too early to say that a full transformation of Turkish political culture from the subject to the participant model has occurred. The road toward the full liberalization of Turkish political culture is still long and bumpy".

In a further post-script dated September 2008, he also takes into account the political turmoil around the elections of July 2007 and other recent developments, and underlines his caution once again: "The liberalization of Turkish political culture is far from complete but has achieved significant steps. The mounting division within the judiciary and the military provides evidence for this change". And he does stress, rightly, that the influence of the European Union maintains its critical importance.

"The acceleration of the reform process and strong EU commitment to Turkey's full membership are essential not only for the successful completion of EU-Turkey accession negotiations but also for the emergence of a participant political culture".

One can only hope that the respective addressees of that message do pay heed, and it is no doubt a positive sign that a scholar from Greece has been able to undertake such an interesting analysis of Turkey's chances for liberal democratization.

Nilüfer Kuyaş *is the author of the novel* Yeni Baştan

The key player in bolstering links between France and Turkey:

Institut du Bosphore...

As an important actor of the Turkish civil society, TÜSİAD feels the need to address the development of civil society dialogue between EU member states and Turkey, and encourage a debate on both Turkey and EU sides regarding social, cultural, political and economic perceptions and relations.

In this context, the establishment of "Institut du Bosphore" represents a long-term and sophisticated process where the objective is to bolster links between French and Turkish societies, to openly debate topics such as global politics, economy, social and cultural issues with a view to highlighting Turkey's involvement in global society and in particular its close ties with the European Union and France. Its mission will be to facilitate common reflection of French and Turkish people on Europe and current global issues. Its goal will be to abate unfounded prejudices against Turkey and to build an objective platform for free discussions.

On the operational side, the Institute incorporates two separate bodies; Executive and Scientific Committee. Constituted of prominent business people, politicians, academics, experts, civil society representatives and intellectuals, the Scientific Committee endeavors to lead the debates on strengthening links between France and Turkey and to contribute to the ongoing dialogue about Turkey in Europe. The Committee will meet three times a year to determine institute's strategies and action plan. Further, through publications, research papers, seminars and op-eds, the institute will have a constant voice in Europe.

08 September 2009, Paris:
Institut du Bosphore press conference

On 8 September 2009, the institute has launched its presence with a press conference held in Paris. The attendance of several prominent media representatives proved us once more the significance of this project. This unprecedented initiative in France was perceived as a milestone in establishing enduring contacts and in expressing ourselves to French public opinion.

The establishment of "Institut du Bosphore" represents a long-term and sophisticated process where the objective is to bolster links between french and turkish societies, to openly debate topics such as global politics, economy, social and cultural issues with a view to highlighting Turkey's involvement in global society and in particular its close ties with the European Union and France.

22&23 October 2009, Istanbul:
Institut du Bosphore inauguration seminar

The first Seminar of the institute was held in 22&23 October in Istanbul. As the initial activity of the institute, it treated a daring theme that sparked robust debate: "Turkey/Europe: Starting Over & Reconstructing Turkey - EU Relations". In the first panel entitled "Economic Crisis, Europe and the Role of Turkey", Turkey's contributions to the stumbling European economy and the global positioning of the European markets in the aftermath of the financial crisis were thoroughly discussed. The second panel's topic was geostrategic common interests of Turkey and the EU. The recent developments in Armenia and Cyprus, Turkey's membership bid to the EU and Turkey as a regional power in the Middle East were among the issues that had been analyzed. The third panel topic was culture. Issues regarding religion, modernity, laicism were debated by the participants.

SCIENTIFIC COMMITTEE MEMBERS*

- **Alexander Adler** Historian, journalist
- **Ahmet Aykaç** Deputy Chairman of Board of Trustees, Sabancı University
- **Pekin Baran** President of Denizcilik A.Ş.
- **Suheyl Batum** Faculty of Law, Bahçeşehir University
- **Ümit Boyner** Member of Boyner Holding Executive Board
- **Guy Carcassonne** Jurist, specialist in Constitutional law
- **Henri de Castries** President of AXA
- **Kemal Derviş** Advisor to Sabancı University Chairman of the International Advisory Board of Akbank
- **Stephane Fouks** CEO of Havas Group Executive Chairman EURO RSCG Worldwide
- **Nilüfer Göle** Sociologist, Ecole des Hautes Etudes (EHESS)
- **Hubert Haenel** Senator President of the Senate European Affairs Committee
- **Mustafa Koç** Chairman of Koç Holding
- **Gérard Mestrallet** CEO of GDF SUEZ
- **Pierre Moscovici** Member of French Parliament
- **Soli Özel** Faculty of International Relations, Bilgi University
- **Michel Rocard** Former French Prime Minister
- **Güler Sabancı** Chairwoman of Sabancı Holding
- **Füsun Türkmen** Faculty of Internationals Relations, Galatasaray University
- **Gilles Veinstein** Historian, Turkish and Ottoman History
- **Thierry Mariani** Member of the French Parliament
- **PRESIDENT Haluk Tükel** Counsellor to the President of TÜSİAD

** As of October 2009*

ESRA ÖZCAN

KEY TO GET GERMANY
"Ich habe keine Lust"

If someone asked me to come up with a single phrase that could summarize the gist of my experiences during my five years in Germany I would immediately say: *Ich habe keine Lust, (I don't feel like it).* This little phrase came to represent for me the surprising aspects of life in Germany and the differences that I observed between my life in Turkey and my life in Germany. Luckily *I do* feel like writing about them.

For me what is special about *Ich habe keine Lust* is not simply that the phrase expresses unwillingness to do something, but the reaction it receives from the others: whenever someone says *Ich habe keine lust* nobody insists. *Ich habe keine Lust* sounds like a magic phrase to my Turkish ears. How come you tell somebody that you do not feel like doing something and it gets respected without any further scrutinizing? Nobody asks why, nobody tries to convince you that you should be doing whatever you do not want to do against your own will. Even children somehow stop pushing their mothers as soon as the mother says *Ich habe keine Lust.* Are kids easier here? I do not think at all that Germans and Turks come from different planets; yet, when this little phrase enters the scene Germans and Turks look different to me. They respond differently to someone expressing refusal or unwillingness: most of the time Germans retreat, Turks question the refusal or even worse, insist.

Why then? I hate generalizations, but I will take the risk in search of an answer. A short while after I started living in Germany I came to notice that the meanings attached to words are different here. They are taken more literally than they are in Turkey. At home people look for subtle meanings, they try reading between the lines. This also makes them more sensitive to non-verbal clues and opens up more space for playfulness. As a result they sometimes end up investing a totally different meaning to what has been said literally.

Whereas in Germany, what is said matters more to people than what might additionally have been meant by the same words. No means no. It is clear and safe: fewer risks and less room to play. This is true particularly for relations between women and men. When a woman says "no" to a man that is that. It is too risky here for a man to interpret it as a "hidden yes" and make an advance. It might in fact be the case that what is said and what is meant are different from each other, but many German men would take the safer side and Turks the riskier.

The ability to live with the harsh truth is considered an adult value here. Truths are sometimes cruel, when said they hurt and they are less welcome in Turkey. The sentence: "If you stop loving me one day, do not say it please, I will get it anyhow" would fit better with the Turkish soul. This means more confusion, misunderstanding and uncertainty, yet it feels less painful somehow. The ability to handle direct confrontation with unpleasant facts is not deemed as a crucial adult value in Turkey. In fact the content of adulthood in Turkey is a bit unclear to me. It is never explicitly said, never defined. But I can clearly say what adulthood means to me in Germany: It is the ability to respect someone saying *Ich habe keine Lust,* not feeling resented and not pushing them to comply against their will.

Yet, when I reflect on *Ich habe keine Lust* together with the most widespread stereotypes about Germans, discipline, efficiency, a Protestant hard work ethic *et cetera,* further questions rush to my mind. What happens when someone does not feel like working then? How does discipline fit in? It is still puzzling to me how the Germans establish the balance between personal free will and their responsibilities. So far I have concluded that the German answer to the problem lies first in the state's power of enforcement. It does not make much sense to run away from responsibilities, there is almost no way to escape them.

Second, in their concept of adulthood of which the ability to say no and to take it as an answer is an important part, and third, in the way the children are raised. Children are treated as small adults. German children behave like full grown-ups. Personally I am fine with having "mature kids" around. To me they are the outcome of a different approach towards adulthood and of an aging society where children are surrounded by their elders more often than their peers.

In Turkey a common stereotype about family life in Europe assumes that children are sent away from home as soon as they turn 18. For Turkish conservatives this constitutes enough proof for the lack of parental affection and family ties in Europe. This kind of stereotyping does not take into account the different approaches to adulthood. In Turkey the official 18 does not mean much in cultural terms. Many young men and women are considered proper adults basically only after marriage and parenthood. The word "children" *(çocuklar)* are used equally in referring to little children as well as to young adults, such as university students, in daily talk. Now, that would be quite incomprehensible to Germans.

In Germany, turning 18 means a lot. It is celebrated by throwing parties. Ads are given to local newspapers. Turning 18 means entering into adulthood; officially as well as culturally. Needless to say, 18 year olds are not immediately kicked out of their parents' house. This only means that they can leave the parental nest if they wish to. They do not need to wait until they marry. Turning 18 means they are responsible adults who are expected to bear the consequences of their own actions. By comparison, parenthood in Turkey is quite authoritative and protective still, even after 18.

A German friend once told me how he reacted when his 18 year old son came home drunk for the first time. The young man had a terrible hangover the next day and I was curious if the father was angry. "No" he said. "I was in fact looking forward to it. He had to get drunk and live through it to recognize his own body's limits. He knows now and I am happy for him". I just remembered all the little things my Turkish friends and I had to hide from our parents even as grown-ups, things much more innocent than getting totally drunk. I also remember how many times I ended up doing things even though I did not really feel like it. That's why, *Ich habe keine Lust* makes me think about adulthood, personal independence, autonomy and the ability to take no as an answer more than I used to do before living in Germany.

If I leave this country one day I will miss two things most: German whipped cream (Schlagsahne) and *Ich habe keine Lust.*

Esra Özcan *has a Ph.D in Mass Media and Communication from Jacobs University in Germany. Currently she lives in Bremen and works as a freelancer.*

TÜSİAD
Country Communication Fund

We would like to thank
our sponsors for their generous contributions.

Country Communication Fund

www.tusiad.org

Institut du Bosphore

En partenariat avec
Les Echos

L'Institut du Bosphore, acteur du dialogue franco-turc, organise sa première rencontre internationale les 22-23 octobre à Istanbul autour du débat :

"Le renouveau des relations entre la Turquie et l'Union européenne„

En présence de :

Alexandre Adler • Gilles August • Pekin Baran • Umit Boyner • Guy Carcassonne
Monique Canto-Sperber • Arzuhan Dogan Yalcindag • Ahmet Dorduncu
Laurence Dumont • Jean-Michel Ferrand • Olivier Ferrand • Gilles Finchelstein
Stéphane Fouks • Bernard Guetta • Esref Hamamcioglu • Mustafa V. Koc
Thierry Mariani • Gilles Martin-Chauffier • Pierre Moscovici • Soli Ozel
Michel Rocard • Denis Simonneau • Catherine Tasca

www.institut-bosphore.org

Inauguré en septembre à Paris, l'Institut du Bosphore ambitionne de faciliter la réflexion en commun des Français et des Turcs sur l'Europe et le monde actuel.