

June 2010

May 24-June 1, 2010

CONTENTS:

- Raid on Flotilla Greatly Increases Tension in Turkish-Israeli Relations
- Turkish PM Stresses Ties with Brazil on Unprecedented Visit
- Davutoğlu Denies Tension with US over Iran Swap Deal
- Turkey Top Court Meets Next Week over Charter Reform
- Barzani Says Iraqi Kurds Want Better Relations with Turkey
- Turkish Airlines Starts Non-Stop Flights to/from Washington DC and Los Angeles

Raid on Flotilla Greatly Increases Tension in Turkish-Israeli Relations

As details slowly emerge in the wake of Israel's deadly attack on a flotilla of aid ships bound for the Gaza Strip, leaders from Turkey's ruling and opposition parties raise their voices to condemn the action. It is the latest and worst incident in a long line of troublesome encounters over the last year and a half between the two allies. Though the identities of the killed civilians were still unknown late Monday, it is believed that many of the dead are Turkish citizens. "Our relations with Israel will never be the same," Hüseyin Çelik, spokesman of the Justice and Development Party, or AKP, told reporters Monday.

On Monday, Turkey appeared to be taking the lead in gathering international support against the Israeli attack, with the government already pressing international organizations such as the Organization of the Islamic Conference, or OIC, the European Union and the Arab League to take action.

In addition to the diplomatic recall, Turkey canceled three joint military drills and sporting activities on Monday. Foreign Minister Ahmet Davutoğlu also called on the United Nations Security Council to convene an urgent meeting on the attack, which was declared "piracy" by Deputy Prime Minister Bülent Arınç. Erdoğan, meanwhile, cut short his Latin America tour and was expected to return home Tuesday.

Crisis desks were established at the Turkish Prime Ministry and the Foreign Ministry on Monday morning. Speaking to reporters after an emergency meeting, Arınç said 400 of the Mavi Marmara's 581 passengers were Turks. "I strongly condemn the use of force by Israeli military forces on an aid convoy composed of 32 countries, including Turkey," he said. "This attack must not remain unanswered." Arınç said the government was not involved in the organization of the flotilla, saying it was a pure civil society initiative.

Early in the day, Israel's ambassador to Ankara, Gabby Levy, was summoned to the Turkish Foreign Ministry. Deputy Undersecretary Ünal Çeviköz demanded Levy provide a detailed report about the status of the passengers on the boats. Çeviköz said it was against international law to forcibly interfere with ships carrying humanitarian aid in international waters. "We want the return of the injured, and the cooperation needed to have them treated in Turkey. We expect the other passengers to be returned to their countries immediately," he stated. "We demand an end to this unlawful situation, and the release of the detained ships in international waters."

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Headquarters: Meşrutiyet Cad. No: 46 Tepebaşı 34420 İstanbul – Turkey
Ankara: İran Cad. No: 39/4 Gaziosmanpaşa 06700 Ankara – Turkey
Brussels: 13, Avenue des Gaulois, 1040 Brussels – Belgium
Washington D.C.: 1250 24th Street, N.W., Suite Nr. 300, Washington D.C. 20037 - USA
Berlin: Märkisches Ufer, 28 Berlin 10179 Germany
Paris: 33, Rue de Galilée 75116 Paris – France
Beijing: Beijing Lufthansa Centre, Office C-319, Beijing 100025, P. R. China

Phone: +90 (212) 249 19 29 **Fax:** +90 (212) 249 13 50
Phone: +90 (312) 468 10 11 **Fax:** +90 (312) 428 86 76
Phone: +32 (2) 736 40 47 **Fax:** +32 (2) 736 3993
Phone: +1 (202) 776 77 70 **Fax:** +1 (202) 776 77 71
Phone: +49 (30) 288 786 300 **Fax:** +49(30) 288 786 399
Phone: +33 (1) 44 43 55 35 **Fax:** +33 (1) 44 43 55 46
Phone: +86 (10) 6462 2066 **Fax:** +86 (10) 6462 3206
www.tusiad.org

e-mail: tusiad@tusiad.org
e-mail: ankoffice@tusiad.org
e-mail: bxloffice@tusiad.org
e-mail: usoffice@tusiad.us
e-mail: berlinoffice@tusiad.org
e-mail: parisoffice@tusiad.org
e-mail: tusiad.china@euccc.com.cn

Turkey's two main opposition parties strongly criticized Israel over the deadly attack, announcing their support for a government decision to take the issue to international organizations. "Nothing can justify this inhumane attack," Kemal Kılıçdaroğlu, head of the Republican People's Party, or CHP, told reporters at a press conference Monday. Criticizing the Israeli government for not sufficiently warning members of civilian organizations before their departure that soldiers could use deadly force, Kılıçdaroğlu said recalling the Turkish ambassador was the correct decision.

Devlet Bahçeli, head of the Nationalist Movement Party, or MHP, called Israel's attacks barbaric and said attacking a ship flying a Turkish flag was a hostile move. "These attacks should not be left unreciprocated. The reaction of the government should not be temporary and left on paper." He also asked the government to cut all economic and defense relations with Israel, adding that the country must pay compensation for the attacks. "It should also apologize to Turkey," Bahçeli said. /Hurriyet/

Turkish PM Stresses Ties with Brazil on Unprecedented Visit

Turkish Prime Minister Recep Tayyip Erdoğan on Wednesday talked up budding ties with Brazil - notably their diplomatic cooperation over Iran's nuclear program - as he made an unprecedented visit to the South American nation. Speaking to a business conference in Sao Paulo, Erdoğan stressed that the two countries - temporary members of the U.N. Security Council - had the courage to tackle the issue that was "making the international community very uncomfortable."

He did not dwell on the subsequent dismissal in the Security Council by major powers The United States and Russia of the May 17 agreement he and Brazilian President Luiz Inacio Lula da Silva negotiated with Iran. But he stated the agreement and partnerships in other areas "show we work well together." He said Brazilian and Turkish businessmen should "take advantage of this relationship to explore opportunities," and talked up what he said was a strong investment environment in his country.

Erdoğan's visit to Brazil was the first by a Turkish prime minister. It kicked off a Latin American tour that was to include a meeting Thursday with Lula in Brasilia, attendance at a U.N. conference promoting cross-cultural understanding in Rio on Friday, and trips to Argentina and Chile. Erdoğan said Turkish-Brazilian trade amounted to \$1.5 billion, a figure he acknowledged was relatively paltry and should be "multiplied." A trade agreement between Turkey and the South American trade bloc Mercosur being negotiated "will have an important role in the relations between the two countries," he predicted.

Miguel Jorge, Brazil's trade minister, also speaking at the business conference at the Sao Paulo State Federation of Industry hailed the deepening relationship with Turkey and the economic health of their emerging economies compared to the United States and Europe. "Brazil and Turkey are living a strategic moment," he said. /Hurriyet/

Davutoglu Denies Tension with US over Iran Swap Deal

Foreign Minister Ahmet Davutoğlu yesterday waved off media comments that a nuclear swap deal Iran agreed to with Turkey and Brazil has strained Ankara's relations with the

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Selected News on Turkey

United States, saying US President Barack Obama's policy of engagement paved the way for Turkish efforts for a negotiated settlement. Iran on Monday formally presented a letter outlining the deal, co-sponsored by Turkey and Brazil, to the UN's atomic watchdog, the International Atomic Energy Agency (IAEA). The Turkish Foreign Ministry said in a statement released later in the day that the content of the letter was "positive and constructive."

Although it hailed the diplomatic efforts of Turkey and Brazil, the White House has stated the deal has not removed concerns over Iran's nuclear program. The US and its allies also complain that Iran refuses to stop enriching uranium, something which could eventually enable it to produce nuclear weapons, and continue to push for sanctions against Iran in the UN Security Council. According to a Washington Post report, Obama spent more than an hour on the phone with Prime Minister Recep Tayyip Erdoğan on Wednesday explaining to him why the deal his country made with Iran was "incongruous with a US push to isolate the Islamic Republic over its nuclear program" and said the US push for sanctions would continue despite the deal.

Davutoğlu, however, said the telephone conversation was not as tense as was reported in the media. "On the contrary, it was a very constructive conversation during which both sides expressed their views," he told reporters at a press conference. "Efforts to create tensions between Turkey and the United States will remain fruitless," he added. The foreign minister said the deal with Iran was not the success of Turkey and Brazil alone. "This is a success of the policy of engagement of Mr. Obama. This is a success of his vision of peace which earned him the Nobel Peace Prize," said Davutoğlu.

Ever since Iran agreed to the May 17 deal, under which it will send some of its low-enriched uranium to Turkey in exchange for the delivery of uranium enriched by France and Russia, Ankara has been seeking support for the compromise, saying it offers a chance for a peaceful solution to the dispute over Iran's nuclear program.

Statements released by the offices of Erdoğan and French President Nicolas Sarkozy following talks on Monday noted Sarkozy's suggestion that Paris and Ankara should "stay in touch and give a little time for dialogue," taking into consideration the fact that Iran had introduced the deal to the IAEA. "At this point, the response by the Vienna Group [made up of potential suppliers of higher enriched uranium - namely the United States, Russia and France, and the IAEA] is of extreme importance. We expect France's support for the implementation of this agreement as a permanent member of the UN Security Council and of the Vienna Group," Erdoğan told Sarkozy, according to his press office. /Today's Zaman/

Turkey Top Court Meets Next Week over Charter Reform

Turkey's Constitutional Court has said it will decide next week whether to hear an appeal by the opposition to stop government proposals for constitutional change from going to a referendum in September. Prime Minister Erdoğan says the reforms, overhauling the judiciary and making the army answerable to civilian courts, are designed to advance European Union entry demands. Political foes see the reform package as an attempt by Erdoğan's AK Party to seize control of all levers of the state and undermine the country's secular principles. "We will gather next week and make a decision, we haven't decided

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Headquarters: Meşrutiyet Cad. No: 46 Tepebaşı 34420 İstanbul – Turkey
Ankara: İran Cad. No: 39/4 Gaziosmanpaşa 06700 Ankara – Turkey
Brussels: 13, Avenue des Gaulois, 1040 Brussels – Belgium
Washington D.C.: 1250 24th Street, N.W., Suite Nr. 300, Washington D.C. 20037 - USA
Berlin: Märkisches Ufer, 28 Berlin 10179 Germany
Paris: 33, Rue de Galilée 75116 Paris – France
Beijing: Beijing Lufthansa Centre, Office C-319, Beijing 100025, P. R. China

Phone: +90 (212) 249 19 29 **Fax:** +90 (212) 249 13 50
Phone: +90 (312) 468 10 11 **Fax:** +90 (312) 428 86 76
Phone: +32 (2) 736 40 47 **Fax:** +32 (2) 736 3993
Phone: +1 (202) 776 77 70 **Fax:** +1 (202) 776 77 71
Phone: +49 (30) 288 786 300 **Fax:** +49(30) 288 786 399
Phone: +33 (1) 44 43 55 35 **Fax:** +33 (1) 44 43 55 46
Phone: +86 (10) 6462 2066 **Fax:** +86 (10) 6462 3206
www.tusiad.org

e-mail: tusiad@tusiad.org
e-mail: ankoffice@tusiad.org
e-mail: bxloffice@tusiad.org
e-mail: usoffice@tusiad.us
e-mail: berlinoffice@tusiad.org
e-mail: parisoffice@tusiad.org
e-mail: tusiad.china@euccc.com.cn

that yet," Constitutional Court chief judge Hasim Kılıç told state news Anatolian late on Thursday.

Erdoğan, who faces elections set for 2011, has said he will not call a snap election in the event the court annuls the referendum, and analysts have said such a move could paralyse decision-making and galvanise the opposition. Prospects for Erdoğan's AK Party winning a third term in office are unclear, but markets would certainly be wary of any return to the fragmented, warring coalitions of the 1990s.

Last weekend, the opposition Republican People's Party (CHP) formally jettisoned its hardline leader Deniz Baykal, rejected by voters in 2002 and 2007 polls, and elected former civil servant Kemal Kılıçdaroğlu in his place. /Today's Zaman/

Barzani Says Iraqi Kurds Want Better Relations with Turkey

Iraqi Kurdish leader Massoud Barzani, speaking before a key visit to Turkey this week, said over the weekend that the Kurdish administration wants to improve relations with Ankara, describing the northern neighbor as a country with an important role in the region. Barzani stated in a speech addressed to the regional parliament that the Kurdish administration was working to improve relations with Turkey, noting that better ties will benefit both sides. Economic relations will further develop as ties improve in other fields too, Barzani said. The Kurdish leader also warned against instability in the Kurdish region, saying efforts to that effect were unacceptable. /Today's Zaman/

Turkish Airlines Starts Non-Stop Flights to/from Washington DC and Los Angeles

In an ongoing effort to improve service, and as a result of Turkish Airlines' goal of becoming a global carrier, flights from Los Angeles and Washington D.C. will commence in November 2010. Both flights will be non-stop to Istanbul and serviced with new Boeing 777 aircraft. There will be five flights a week from Washington DC and four from Los Angeles.

The two cities, in addition to their sizeable Turkish population, are also home to many ethnic groups who are looking for a reliable and comfortable means of travel to their native countries. Turkish Airlines aims to address those needs with its young fleet, impeccable on-board service and modern airport facilities at its hub in Istanbul. /Turkish Airlines USA Newsletter/

June 2-7, 2010

CONTENTS:

- Ankara Welcomes UN Panel Proposal on Israeli Raid
- Turkey Strikes Key Gas Deal with Azerbaijan
- Turkey, Iraqi Kurds Seek Deeper Ties after Visit
- Top Court to Discuss Charter Amendments Tuesday
- Brazil will Oppose, but Respect, Iran Sanctions

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Headquarters: Meşrutiyet Cad. No: 46 Tepebaşı 34420 İstanbul – Turkey
Ankara: İran Cad. No: 39/4 Gaziosmanpaşa 06700 Ankara – Turkey
Brussels: 13, Avenue des Gaulois, 1040 Brussels – Belgium
Washington D.C.: 1250 24th Street, N.W., Suite Nr. 300, Washington D.C. 20037 - USA
Berlin: Märkisches Ufer, 28 Berlin 10179 Germany
Paris: 33, Rue de Galilée 75116 Paris – France
Beijing: Beijing Lufthansa Centre, Office C-319, Beijing 100025, P. R. China

Phone: +90 (212) 249 19 29 **Fax:** +90 (212) 249 13 50
Phone: +90 (312) 468 10 11 **Fax:** +90 (312) 428 86 76
Phone: +32 (2) 736 40 47 **Fax:** +32 (2) 736 3993
Phone: +1 (202) 776 77 70 **Fax:** +1 (202) 776 77 71
Phone: +49 (30) 288 786 300 **Fax:** +49(30) 288 786 399
Phone: +33 (1) 44 43 55 35 **Fax:** +33 (1) 44 43 55 46
Phone: +86 (10) 6462 2066 **Fax:** +86 (10) 6462 3206
www.tusiad.org

e-mail: tusiad@tusiad.org
e-mail: ankoffice@tusiad.org
e-mail: bxloffice@tusiad.org
e-mail: usoffice@tusiad.us
e-mail: berlinoffice@tusiad.org
e-mail: parisoffice@tusiad.org
e-mail: tusiad.china@euccc.com.cn

Ankara Welcomes UN Panel Proposal on Israeli Raid

Turkey welcomed a proposal Sunday by UN Secretary-General Ban Ki-moon for a panel to investigate last week's controversial Israeli raid on a Gaza-bound aid ship. Erdoğan, speaking in the western province of Bursa, said Turkey attached great importance to the UN probe: "We hope we will be able to get results."

According to a proposal Ban conveyed to the Turkish and Israeli prime ministers on Saturday, a five-member panel would investigate the operation, which has caused an international uproar and intensified calls for an end to the Israeli blockade of the Gaza Strip. The panel would be headed by former New Zealand Prime Minister Geoffrey Palmer and include a representative from both Turkey and Israel. Two members, one international law expert and one military expert, will be appointed by Ban, Turkish officials said, giving no information on their nationalities. But according to Israeli sources, the panel will include at least one representative from the United States, a key ally of Israel whose participation is expected to address Israeli concerns about the panel's impartiality.

Israel has resisted calls for an external investigation into the raid, saying it is capable of investigating the incident itself. Israel's ambassador to the United States Michael Oren said on Sunday that Jerusalem will reject the idea of an international panel to study the raid. "We are rejecting an international commission. We are discussing with the Obama administration a way in which our inquiry will take place," Oren stated.

The takeover of the Turkish ship the Mavi Marmara in international waters last Monday resulted in the killing of eight Turkish men and one American of Turkish descent. Preliminary autopsy results have shown that they were shot a total of 30 times, some at close range. Israel states the commandos acted in self-defense. The panel's mandate is not yet known, but it is expected to review whether the takeover was in violation of international law and whether the Israeli commandos' response to resistance on the ship was proportional.

The push for an international inquiry puts Israel under further pressure to explain how its attempt to stop the aid ship from breaching a blockade of Hamas-ruled Gaza turned deadly. It could also cast light on the motives and plans of some of the ship's passengers, who Israel says were Islamic extremists intent on attacking its troops.

The United States, which dismissed calls for the condemnation of Israel and insists Israel's security concerns must be addressed, is also facing questions regarding involvement in any investigation into the ship raid. Any time an American citizen is killed overseas, the US government has the option to open its own investigation into the case. So far, the US has said Israel was best positioned to conduct a credible investigation.

In his telephone conversation with Ban, Erdoğan repeated calls for an end to the Israeli blockade of Gaza and said the UN should take active part in delivering aid materials that would help restore infrastructure. Israel bans entry of cement and other construction materials, claiming that they could be used to boost Hamas' military capacity. Turkey, whose ties with Israel were already strained due to the situation in Gaza, says Israel

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Headquarters: Meşrutiyet Cad. No: 46 Tepebaşı 34420 İstanbul – Turkey
Ankara: İran Cad. No: 39/4 Gaziosmanpaşa 06700 Ankara – Turkey
Brussels: 13, Avenue des Gaulois, 1040 Brussels – Belgium
Washington D.C.: 1250 24th Street, N.W., Suite Nr. 300, Washington D.C. 20037 - USA
Berlin: Märkisches Ufer, 28 Berlin 10179 Germany
Paris: 33, Rue de Galilée 75116 Paris – France
Beijing: Beijing Lufthansa Centre, Office C-319, Beijing 100025, P. R. China

Phone: +90 (212) 249 19 29 **Fax:** +90 (212) 249 13 50
Phone: +90 (312) 468 10 11 **Fax:** +90 (312) 428 86 76
Phone: +32 (2) 736 40 47 **Fax:** +32 (2) 736 3993
Phone: +1 (202) 776 77 70 **Fax:** +1 (202) 776 77 71
Phone: +49 (30) 288 786 300 **Fax:** +49 (30) 288 786 399
Phone: +33 (1) 44 43 55 35 **Fax:** +33 (1) 44 43 55 46
Phone: +86 (10) 6462 2066 **Fax:** +86 (10) 6462 3206
www.tusiad.org

e-mail: tusiad@tusiad.org
e-mail: ankoffice@tusiad.org
e-mail: bxloffice@tusiad.org
e-mail: usoffice@tusiad.us
e-mail: berlinoffice@tusiad.org
e-mail: parisoffice@tusiad.org
e-mail: tusiad.china@euccc.com.cn

must end the blockade, agree to an international investigation into the operation and offer an apology to Turkey to open the way for recovery from the crisis.

"Israel cannot find any better friend in the region than Turkey," Turkish Ambassador to the US Namık Tan told a group of journalists in Washington on Friday. "And Israel is about to lose that friend." To prevent such a break between two close US allies, Tan said that "first and foremost" Israel needed to apologize for the deaths. /Today's Zaman/

Turkey Strikes Key Gas Deal with Azerbaijan

Turkey signed three new agreements Monday with regional ally Azerbaijan for the sale of the latter's natural gas and its transportation to European markets via Turkish soil. Azerbaijani President İlham Aliyev and Prime Minister Recep Tayyip Erdoğan oversaw the signing of the deals between the two countries' energy ministers, as well as pipeline companies BOTAŞ and SOCAR. The deals were signed on the sidelines of an international security summit in Istanbul.

Turkey said the agreements strengthen the chances of realizing the European Union-supported Nabucco project, which is aimed at reducing reliance on Russian energy supplies. "The signing today will accelerate the Nabucco project," Energy Minister Taner Yıldız told the news conference. It was not immediately clear, however, whether Azerbaijan would join the multi-national Nabucco project as Baku has so far declined to make a firm commitment.

One of the agreements comes following prolonged negotiations between the two countries over the price of Azerbaijani natural gas from Shah Deniz I. Yıldız said the countries had reached an agreement over the price but refused to reveal the figure, however he added that the price would be adjusted according to market conditions, rather than taken at a fixed rate.

A senior Energy Ministry official stated that the price Turkey will pay for Azerbaijani gas would be lower than that of Russian gas. Under the current circumstances, Turkey receives 6 billion cubic meters of gas from Azerbaijan, pumping a portion of the figure to Greece. The previous natural gas contract provided Baku with the right to revise the agreement to its own advantage due to rising oil prices all over the world in 2008. With the current agreement, Turkey also agreed to pay back the difference that has accrued since April 15, 2008.

The other agreement with Azerbaijan covers the shipment of some 11 billion cubic meters of natural gas. Some of this will be used by Turkey while the rest will be transported to Europe. Ankara and Baku negotiated over the terms of re-export for a long time, with Turkey insisting on having the right to re-export gas from Shah Deniz II to Europe. The issue of re-export is thorny and neither side has made a precise statement as to whether Monday's deal gives Turkey the right to re-export the Azeri gas, as Ankara was continuing its efforts to convince Baku to grant it the right to re-export. Officials said the two agreed over the transit fee but refused to reveal the price. The Shah Deniz II project is expected to go into operation in 2018. /Hurriyet/

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Headquarters: Meşrutiyet Cad. No: 46 Tepebaşı 34420 İstanbul – Turkey
Ankara: İran Cad. No: 39/4 Gaziosmanpaşa 06700 Ankara – Turkey
Brussels: 13, Avenue des Gaulois, 1040 Brussels – Belgium
Washington D.C. : 1250 24th Street, N.W., Suite Nr. 300, Washington D.C. 20037 - USA
Berlin: Märkisches Ufer, 28 Berlin 10179 Germany
Paris: 33, Rue de Galilée 75116 Paris – France
Beijing: Beijing Lufthansa Centre, Office C-319, Beijing 100025, P. R. China

Phone: +90 (212) 249 19 29 **Fax:** +90 (212) 249 13 50
Phone: +90 (312) 468 10 11 **Fax:** +90 (312) 428 86 76
Phone: +32 (2) 736 40 47 **Fax:** +32 (2) 736 3993
Phone: +1 (202) 776 77 70 **Fax:** +1 (202) 776 77 71
Phone: +49 (30) 288 786 300 **Fax:** +49(30) 288 786 399
Phone: +33 (1) 44 43 55 35 **Fax:** +33 (1) 44 43 55 46
Phone: +86 (10) 6462 2066 **Fax:** +86 (10) 6462 3206
www.tusiad.org

e-mail: tusiad@tusiad.org
e-mail: ankoffice@tusiad.org
e-mail: bxloffice@tusiad.org
e-mail: usoffice@tusiad.us
e-mail: berlinoffice@tusiad.org
e-mail: parisoffice@tusiad.org
e-mail: tusiad.china@euccc.com.cn

Turkey, Iraqi Kurds Seek Deeper Ties after Visit

In Istanbul Sunday, President Abdullah Gul received Massoud Barzani, the leader of northern Iraqi regional administration. No statement was made after a nearly one-hour closed-door meeting. Barzani was in Turkey for a three-day official visit at the invitation of Foreign Minister Ahmet Davutoglu. As part of his visit, the northern Iraqi leader was also received by Prime Minister Recep Tayyip Erdogan, and had a separate meeting with Davutoglu.

During these meetings, top Turkish officials urged Barzani to take further concrete steps against the Kurdistan Workers' Party (PKK) and its bases in northern Iraq. Speaking at a joint press conference after meeting with Barzani, Davutoglu said that Turkey wants to achieve "total economic integration" with northern Iraq, adding that stronger cooperation in the fight against the armed PKK is a must. Barzani's landmark visit to Turkey came just as the PKK said it was scrapping a year-old ceasefire against the Turkish state and resuming attacks.

In related news, a weekend meeting between one of Turkey's top business leaders and Barzani focused on expanding bilateral economic and trade relations. "We will start working on developing our trade and investment relations with Iraq by putting our Iraqi Working Group into action," declared Umit Boyner, chairwoman of the Turkish Industrialists' and Businessmen's Association (TUSIAD).

Amid changing world economic conditions, Turkey has started to seek new markets. "At this point, Iraq holds a huge potential for Turkey," she stated, citing the situation with Syria as a good example. "With the developing of relations with Syria, trade has revived in the border region while the market of the region has also developed. In brief, ameliorating and improving trade relations will help to develop both the Turkish and northern Iraqi borders, which have problems in terms of development," said Boyner. "Northern Iraq holds great potential for Turkey in terms of expanding its trade. We think that improving trade activities will contribute to our regional development." However, she said, the region has a democratization problem. "At this point, we stressed our concerns and also mentioned that efforts against terrorism should continue." /Turkish Press Review/

Top Court to Discuss Charter Amendments Tuesday

The fate of the constitutional amendments aimed at restructuring Turkey's judicial institutions in line with the government's demands will be determined by the Constitutional Court Tuesday. The court said it has accepted the main opposition's appeal for the annulment of the amendments.

Government-backed amendments were approved by the Parliament and President Gül, though the final approval will be sought at a referendum on September 12. Three articles out of 27 were found controversial by the opposition who argued that the amendments were aimed at putting the judiciary under the political tutelage.

The court president has already said that the judges will only review three controversial articles as the opposition appeal was only made for these three articles.

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Headquarters: Meşrutiyet Cad. No: 46 Tepebaşı 34420 İstanbul – Turkey
Ankara: İran Cad. No: 39/4 Gaziosmanpaşa 06700 Ankara – Turkey
Brussels: 13, Avenue des Gaulois, 1040 Brussels – Belgium
Washington D.C.: 1250 24th Street, N.W., Suite Nr. 300, Washington D.C. 20037 - USA
Berlin: Märkisches Ufer, 28 Berlin 10179 Germany
Paris: 33, Rue de Galilée 75116 Paris – France
Beijing: Beijing Lufthansa Centre, Office C-319, Beijing 100025, P. R. China

Phone: +90 (212) 249 19 29 **Fax:** +90 (212) 249 13 50
Phone: +90 (312) 468 10 11 **Fax:** +90 (312) 428 86 76
Phone: +32 (2) 736 40 47 **Fax:** +32 (2) 736 3993
Phone: +1 (202) 776 77 70 **Fax:** +1 (202) 776 77 71
Phone: +49 (30) 288 786 300 **Fax:** +49(30) 288 786 399
Phone: +33 (1) 44 43 55 35 **Fax:** +33 (1) 44 43 55 46
Phone: +86 (10) 6462 2066 **Fax:** +86 (10) 6462 3206
www.tusiad.org

e-mail: tusiad@tusiad.org
e-mail: ankoffice@tusiad.org
e-mail: bxloffice@tusiad.org
e-mail: usoffice@tusiad.us
e-mail: berlinoffice@tusiad.org
e-mail: parisoffice@tusiad.org
e-mail: tusiad.china@euccc.com.cn

Selected News on Turkey

The opposition refrained from making a specific statement on the development. "We all have to respect to the ruling of the court. We'll all respect it," Kemal Kılıçdaroğlu, chairman of the Republican People's Party, or CHP, told reporters Thursday. /Hurriyet/

Brazil will Oppose, but Respect, Iran Sanctions

Brazil's foreign minister said Tuesday that despite the nation's strong opposition to any new sanctions on Iran, it would respect them if they are approved. Foreign Minister Celso Amorim spoke before a Senate committee to explain Brazil's role in an Iranian nuclear fuel-swap deal it helped broker with Turkey. "Brazil meticulously respects the sanctions imposed by the U.N. Security Council against Iran," he stated. "If there are sanctions, even if Brazil is not in favor, we're going to respect them."

Both Amorim and Brazilian President Luiz Inacio Lula da Silva, along with Turkey's Prime Minister Recep Tayyip Erdogan, have been outspoken in their opposition to potential new sanctions. Iran insists its nuclear program is only for peaceful purposes, but the West fears it is geared toward nuclear weapons.

Last month, Silva and Erdogan finalized a fuel-swap deal with Iranian leader Mahmoud Ahmadinejad that was similar to an agreement the U.S. and the International Atomic Energy Agency had pushed for last October, but which Iran at the time rejected. Under the Brazil-Turkey deal, submitted last week to the International Atomic Energy Agency, Iran agrees to ship 1,200 kilograms of uranium to Turkey, where it will be stored. In exchange, Iran would get fuel rods made from 20-percent enriched uranium; that level of enrichment is high enough for use in research reactors but too low for nuclear weapons.

The concerns of the U.S. and other opponents of the deal is that Iran has continued to churn out low-enriched material - reportedly doubling its stock since that failed October deal - and is running a pilot program of enriching to higher levels, near 20 percent. Silva and Amorim, however, counter that their deal was never meant to be considered any sort of final accord on Iran's nuclear program, but merely the first step to getting the nation back to the negotiating table, which Brazil says President Barack Obama directly encouraged. "Brazil was urged by President Obama to help in engaging with Iran," Amorim said.

Silva, speaking at a union rally in Sao Paulo, said that he and Erdogan "accomplished more in 18 hours of conversation" with the Iranians than the Americans had managed during the last three decades - a "demonstration that dialogue is the best way of resolving conflicts." /Hurriyet/

June 8-14, 2010

CONTENTS:

- Turkey Dismisses Israeli Probe into Flotilla Raid
- Constitutional Court to Review Reform Package on Procedural Grounds
- Turkey's Involvement in Mideast not Harming EU Bid, Fule Says
- IMF Head Sees Bright Future for Turkish Economy

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Headquarters: Meşrutiyet Cad. No: 46 Tepebaşı 34420 İstanbul – Turkey
Ankara: İran Cad. No: 39/4 Gaziosmanpaşa 06700 Ankara – Turkey
Brussels: 13, Avenue des Gaulois, 1040 Brussels – Belgium
Washington D.C.: 1250 24th Street, N.W., Suite Nr. 300, Washington D.C. 20037 - USA
Berlin: Märkisches Ufer, 28 Berlin 10179 Germany
Paris: 33, Rue de Galilée 75116 Paris – France
Beijing: Beijing Lufthansa Centre, Office C-319, Beijing 100025, P. R. China

Phone: +90 (212) 249 19 29 **Fax:** +90 (212) 249 13 50
Phone: +90 (312) 468 10 11 **Fax:** +90 (312) 428 86 76
Phone: +32 (2) 736 40 47 **Fax:** +32 (2) 736 3993
Phone: +1 (202) 776 77 70 **Fax:** +1 (202) 776 77 71
Phone: +49 (30) 288 786 300 **Fax:** +49(30) 288 786 399
Phone: +33 (1) 44 43 55 35 **Fax:** +33 (1) 44 43 55 46
Phone: +86 (10) 6462 2066 **Fax:** +86 (10) 6462 3206
www.tusiad.org

e-mail: tusiad@tusiad.org
e-mail: ankoffice@tusiad.org
e-mail: bxloffice@tusiad.org
e-mail: usoffice@tusiad.us
e-mail: berlinoffice@tusiad.org
e-mail: parisoffice@tusiad.org
e-mail: tusiad.china@euccc.com.cn

- Turkey, Russia to Contribute to Regional Peace, Stability
- TUSIAD Highlights

Turkey Dismisses Israeli Probe into Flotilla Raid

Turkey dismissed a commission set up by Israel to probe the deadly raid on Gaza-bound aid ships Monday, warning of unspecified measures if a U.N.-led inquiry was not carried out. The Israeli committee, which will include two foreign observers, was formed to conduct an investigation into the legal aspects of the operation in which Israeli commandos killed nine Turkish activists and wounded many more.

But Ankara slammed the move, saying it did not believe the Israeli commission would carry out an unbiased probe of the pre-dawn attack. "We have no trust at all that Israel, a country that has carried out such an attack on a civilian convoy in international waters, will conduct an impartial investigation," Turkish Foreign Minister Ahmet Davutoğlu told reporters in Ankara.

Turkey wants the circumstances surrounding the May 31 attack to be investigated by a commission "under the direct control of the United Nations... an impartial one with the participation of Turkey and Israel," he said. "To have a defendant acting simultaneously as both prosecutor and judge is not compatible with any principle of law. If an international commission is not set up and if Turkey's rightful demands continue to be disregarded, Turkey has the right to unilaterally review ties with Israel and implement sanctions," he stated. Davutoğlu stressed that Ankara "is waiting patiently for the international community to take action in an objective manner" and that "otherwise there might be measures that we could take." /Hurriyet/

Constitutional Court to Review Reform Package on Procedural Grounds

The Constitutional Court announced on Tuesday morning that it has accepted a petition filed by the main opposition Republican People's Party (CHP) against the government's referendum package passed in May. The court said it would review the appeal on procedural grounds. The court's decision on the package, which includes articles that reform the judiciary, is crucial for Turkey.

The court announced the first session on the package will be held on July 5. The government's constitutional amendment package, which introduces new regulations in many areas, also makes structural changes to the Constitutional Court and the Supreme Board of Judges and Prosecutors (HSYK). These two articles have been the most contentious changes in the package. In its appeal to the Constitutional Court the CHP claimed that the government's intended changes violate the constitutional principle of separation of powers by giving too much authority to the government in the formation of these two judicial bodies.

The Constitutional Court announced that it had decided to review whether there could have been any procedural violations in the passage of the package in Parliament. In initial comments, State Minister and Deputy Prime Minister Bülent Arınç declared: "The court will absolutely not go into the content of the package. It should not make any ruling on the substance of the package. If law exists and the Constitution is in force, we

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

most certainly expect the Constitutional Court to heed the written law." He argued the Constitutional Court should not make a ruling on the package before it is referred to a referendum. "I think they can review the appeal on procedural grounds and then reject the application if they fail to find any procedural violations."

In a related development, Gültan Kisanak, the co-chairwoman of the Peace and Democracy Party (BDP), made a statement regarding her party's stance on the package. She said the BDP would be calling on its voters to boycott the referendum. She said the country needed a new constitution drafted from scratch, speaking at her party's parliamentary group meeting yesterday. /Today's Zaman/

Turkey's Involvement in Mideast not Harming EU Bid, Fule Says

Turkey's growing involvement in Middle East affairs does not contradict its bid to join the bloc, the European Union's enlargement chief said in remarks published Monday. "The country's importance in the region is increasing the desire to work with Turkey... I do not believe that Turkey's steps and its attitude toward the EU are contradictory to its membership process," Stefan Fule stated.

His comments came in response to a question on whether Turkey's vote against fresh sanctions against Iran, adopted at the UN Security Council last week, signaled that Ankara was sliding away from the West. Turkey defended its "no" vote as a move aimed at keeping the door open for a negotiated settlement on Iran's nuclear program under a nuclear fuel swap deal it brokered with Tehran on May 17, together with Brazil. Fule, however, insisted the accord was "insufficient to solve the problem" mainly because "it does not contain a pledge by Tehran to resume talks on its nuclear program."

Turkey's "no" vote came atop a crisis with Israel over the May 31 raid on Gaza-bound aid ships, which claimed the lives of eight Turks and one American citizen of Turkish descent, and prompted fiery anti-Israeli tirades by Prime Minister Recep Tayyip Erdoğan, accompanied with support of the radical Palestinian group Hamas.

U.S. Defense Secretary Robert Gates said last week the EU's failure to offer Turkey a swift accession process was one of the factors behind the perceived shift in Ankara's foreign policy. Erdoğan dismissed the charges, insisting that Turkey was committed to its links in both East and West. Ankara, however, has often expressed bitterness over the slow pace of its EU membership talks, struggling amid French and German opposition to the country's accession and the sluggish pace of reform in Ankara. /Hurriyet/

IMF Head Sees Bright Future for Turkish Economy

In the future, Turkey will be one of the world's most important economies, International Monetary Fund Managing Director Dominique Strauss-Kahn said Thursday. Speaking to reporters after the sixth meeting of the Turkish Investment Advisory Council in Istanbul, Strauss-Kahn said that if it adopts international standards, Turkey could remain on the path towards a higher league.

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Headquarters: Meşrutiyet Cad. No: 46 Tepebaşı 34420 İstanbul – Turkey
Ankara: İran Cad. No: 39/4 Gaziosmanpaşa 06700 Ankara – Turkey
Brussels: 13, Avenue des Gaulois, 1040 Brussels – Belgium
Washington D.C. : 1250 24th Street, N.W., Suite Nr. 300, Washington D.C. 20037 - USA
Berlin: Märkisches Ufer, 28 Berlin 10179 Germany
Paris: 33, Rue de Galilée 75116 Paris – France
Beijing: Beijing Lufthansa Centre, Office C-319, Beijing 100025, P. R. China

Phone: +90 (212) 249 19 29 **Fax:** +90 (212) 249 13 50
Phone: +90 (312) 468 10 11 **Fax:** +90 (312) 428 86 76
Phone: +32 (2) 736 40 47 **Fax:** +32 (2) 736 3993
Phone: +1 (202) 776 77 70 **Fax:** +1 (202) 776 77 71
Phone: +49 (30) 288 786 300 **Fax:** +49(30) 288 786 399
Phone: +33 (1) 44 43 55 35 **Fax:** +33 (1) 44 43 55 46
Phone: +86 (10) 6462 2066 **Fax:** +86 (10) 6462 3206
www.tusiad.org

e-mail: tusiad@tusiad.org
e-mail: ankoffice@tusiad.org
e-mail: bxloffice@tusiad.org
e-mail: usoffice@tusiad.us
e-mail: berlinoffice@tusiad.org
e-mail: parisoffice@tusiad.org
e-mail: tusiad.china@euccc.com.cn

Selected News on Turkey

The IMF head also said that Turkey has managed the global economic crisis well since the beginning, adding that the Turkish economy is currently strong. Saying that now is the time for recovery, Strauss-Kahn stated the IMF would continue to watch Turkey's current account deficit, saying that fiscal discipline is very important. A final declaration issued at the close of the meeting said new reforms are needed in the investment environment in order to boost Turkey's productivity and protect its global competitive edge.

The meeting brought together the chairmen, CEOs, and deputy chairmen of 18 global giants. Among the participants were Prime Minister Recep Tayyip Erdogan, Deputy Prime Minister for the Economy Ali Babacan, the IMF's Strauss-Kahn, and World Bank Vice President Philippe Le Houverou. Heads of leading Turkish business organizations, such as the Turkish Industrialists' and Businessmen's Association (TUSIAD), Turkish Union of Chambers and Commodities Exchanges (TOBB), Turkish Exporters' Assembly (TIM), and the International Investors' Association of Turkey (YASED) also attended. /Turkish Press Review/

Turkish-Russian Cooperation to Contribute to Regional Peace and Stability

The Turkish prime minister said on Tuesday that consolidation of relations between Turkey and Russia would contribute to regional peace, economic development, and stability, particularly in the Caucasus. Turkey's Premier Recep Tayyip Erdogan defined multidimensional relations with Russia as a primary foreign policy item of Turkey. "We aim to raise our trade volume to 100 billion USD in five years," Erdogan told a joint press conference with his Russian counterpart Vladimir Putin in Istanbul.

Erdogan and Putin met over breakfast at the Ciragan Palace on the sidelines of the Third Summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA). The trade volume between the two countries dropped to 23 billion USD in 2009 due to the global economic crisis.

Erdogan said Turkey provided for a great deal of its natural gas demand from the Russian Federation, and Turkey would take new steps for use of more natural gas in industry. Turkey and Russia signed earlier on Tuesday a joint declaration on tourism in Istanbul, aimed at ensuring the safety of Turkish and Russian tourists during the time they spend in each other's country.

Turkey's Atomic Energy Agency (TAEK) and Russia's Federal Environmental, Industrial and Nuclear Supervision Service (ROSTECHNADZOR) also signed a cooperation agreement that foresees information and know-how exchange on licensing of nuclear facilities and activities. Under the agreement, TAEK and ROSTECHNADZOR will cooperate in the areas of regulations for licensing and supervision, protection from radiation, management of quality of nuclear facilities, radioactive fuels and fuel waste management, and safety regulations for nuclear/radioactive materials and radioactive waste, emergency reaction and readiness and training for supervisory personnel. /Anatolia.com, Inc./

TUSIAD Highlights

Mrs. Umit Boyner, Chairwoman of TUSIAD's Board of Directors, will head a TUSIAD

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Headquarters: Meşrutiyet Cad. No: 46 Tepebaşı 34420 İstanbul – Turkey
Ankara: İran Cad. No: 39/4 Gaziosmanpaşa 06700 Ankara – Turkey
Brussels: 13, Avenue des Gaulois, 1040 Brussels – Belgium
Washington D.C.: 1250 24th Street, N.W., Suite Nr. 300, Washington D.C. 20037 - USA
Berlin: Märkisches Ufer, 28 Berlin 10179 Germany
Paris: 33, Rue de Galilée 75116 Paris – France
Beijing: Beijing Lufthansa Centre, Office C-319, Beijing 100025, P. R. China

Phone: +90 (212) 249 19 29 **Fax:** +90 (212) 249 13 50
Phone: +90 (312) 468 10 11 **Fax:** +90 (312) 428 86 76
Phone: +32 (2) 736 40 47 **Fax:** +32 (2) 736 3993
Phone: +1 (202) 776 77 70 **Fax:** +1 (202) 776 77 71
Phone: +49 (30) 288 786 300 **Fax:** +49(30) 288 786 399
Phone: +33 (1) 44 43 55 35 **Fax:** +33 (1) 44 43 55 46
Phone: +86 (10) 6462 2066 **Fax:** +86 (10) 6462 3206
www.tusiad.org

e-mail: tusiad@tusiad.org
e-mail: ankoffice@tusiad.org
e-mail: bxloffice@tusiad.org
e-mail: usoffice@tusiad.us
e-mail: berlinoffice@tusiad.org
e-mail: parisoffice@tusiad.org
e-mail: tusiad.china@euccc.com.cn

delegation to the United States June 16-17. The group will meet with US Secretary of State Hillary Clinton Thursday in addition to holding several meetings with members of the US Congress, think tanks, and non-governmental organizations. Relations between the United States and Turkey, the global financial crisis, and the structure of the G-20 will be discussed.

June 15-21, 2010

CONTENTS:

- Davutoglu Dismisses 'Axis Shift' for Turkey
- Turkey Considers Downgrading its Representation in Israel
- Turkey Set to Anchor Regional Trade Alliance
- Kazakhstan, Turkey Mull 'Action Plan' for Kyrgyzstan
- Turkey's Foreign Policy Sparks Debates in EU
- TUSIAD Highlights

Davutoglu Dismisses 'Axis Shift' for Turkey

Criticism against Turkey suggesting that it has been moving away from the Western world because of recent foreign policy moves is without merit, Foreign Minister Ahmet Davutoğlu has stated, underlining that principles are the backbone of Turkey's foreign policy. "If the ground of the world is changing, then we cannot stand fixed on that ground, but we will always stand firm on our principles," Davutoğlu was quoted as saying late on Thursday. He listed those principles as peace, stability, welfare, security, Turkey's policy of having "zero problems with neighbors" and its co-sponsorship of the UN-led Alliance of Civilizations initiative.

The minister's remarks on the current debates questioning the orientation of Turkey's foreign policy came at a ceremony held in Istanbul on Thursday evening where Davutoğlu received the Woodrow Wilson Award for Public Service for his efforts in "advocating strengthening relations with Turkey's hinterland and increasing its importance in the region and throughout the world." The public service award is given by the Washington-based Woodrow Wilson International Center for Scholars to individuals who have served with distinction in public life.

"We stand by whoever stands by global peace. We favor whoever stands by regional peace. We stand against whoever is taking steps that threaten peace. This is where we hold on in idealism," Davutoğlu said. "In the last seven years, neither the president [Abdullah Gül] nor the prime minister [Recep Tayyip Erdoğan] used irrational political language. Nobody can say we assumed an ideological or mono-cultural approach," he declared. "In this regard, those who believe today that we turned towards the East should not forget that the EU [membership] negotiation process has started and many comprehensive reforms have been carried out during this period. Those who think today, 'Where is our direction moving?' should not forget that Turkey has made the greatest contribution to NATO," the minister further stated. /Today's Zaman/

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Headquarters: Meşrutiyet Cad. No: 46 Tepebaşı 34420 İstanbul – Turkey
Ankara: İran Cad. No: 39/4 Gaziosmanpaşa 06700 Ankara – Turkey
Brussels: 13, Avenue des Gaulois, 1040 Brussels – Belgium
Washington D.C.: 1250 24th Street, N.W., Suite Nr. 300, Washington D.C. 20037 - USA
Berlin: Märkisches Ufer, 28 Berlin 10179 Germany
Paris: 33, Rue de Galilée 75116 Paris – France
Beijing: Beijing Lufthansa Centre, Office C-319, Beijing 100025, P. R. China

Phone: +90 (212) 249 19 29 **Fax:** +90 (212) 249 13 50
Phone: +90 (312) 468 10 11 **Fax:** +90 (312) 428 86 76
Phone: +32 (2) 736 40 47 **Fax:** +32 (2) 736 3993
Phone: +1 (202) 776 77 70 **Fax:** +1 (202) 776 77 71
Phone: +49 (30) 288 786 300 **Fax:** +49(30) 288 786 399
Phone: +33 (1) 44 43 55 35 **Fax:** +33 (1) 44 43 55 46
Phone: +86 (10) 6462 2066 **Fax:** +86 (10) 6462 3206
www.tusiad.org

e-mail: tusiad@tusiad.org
e-mail: ankoffice@tusiad.org
e-mail: bxloffice@tusiad.org
e-mail: usoffice@tusiad.us
e-mail: berlinoffice@tusiad.org
e-mail: parisoffice@tusiad.org
e-mail: tusiad.china@euccc.com.cn

Turkey Considers Downgrading its Representation in Israel

Despite public expectations for a strong reaction, the Turkish government will be cautious in implementing measures against Israel if Tel Aviv fails to issue a formal apology over its deadly flotilla raid, diplomatic sources stated Wednesday. "It's always easy to ruin relations, and it's always difficult to repair them. We are at the moment analyzing the possible negative effects of the proposed measures."

A road map has been prepared that lists some measures that could be implemented - including downgrading Turkish representation in Tel Aviv to the level of chargé d'affair - if Israel does not respond positively to Ankara's expectations. These expectations include a formal apology, compensation for victims on the aid ship Mavi Marmara, the return of the three Turkish ships in the flotilla, the establishment of an impartial inquiry commission into the incident and the removal of the Gaza blockade. Turkish diplomats said, however, that the only one of these conditions Israel will readily accept is to return the ships after they are unloaded.

Further steps, potentially including the cancellation of military and defense agreements with Israel, the suspension of ongoing economic and energy projects and the cutting of diplomatic ties, appear on the horizon if Israel does not respond to Turkey's demands. "We are now assessing these steps legally and politically. Can we annul the signed agreements? If we do this - especially for defense and military deals, as they also concern the Turkish Armed Forces - would it also hurt our interests?" diplomatic sources mused at the meeting Wednesday. Turkey and Israel signed two important military deals in the mid-90s, one on defense industry cooperation and the other on military cooperation. Since then, military-defense ties have grown so much that Israel has nearly become Turkey's number-one arms supplier.

On the political field, the most obvious reaction to be taken against Israel would be reducing diplomatic representation to the level of chargé d'affair, which may not be upgraded for some time. Turkey did the same in the early 1980's in response to Israel's invasion of Lebanon, after which it took nearly a decade to appoint an ambassador to Tel Aviv. /Hurriyet/

Turkey Set to Anchor Regional Trade Alliance

Turkey's commercial ties with Arab countries, which have blossomed in the past few years, gained enormous momentum with a recently announced plan to build a regional trade alliance. This growing cooperation, however, has sparked different reactions throughout the world, with business circles from participant countries warmly welcoming the news while Turkey's traditional Western allies cited concerns that the country is turning towards the East.

"We want a vehicle to leave Turkey and be able to reach Morocco without stopping at any border gates," said Foreign Minister Ahmet Davutoğlu during a meeting last week, when he announced the free trade zone project between Turkey, Jordan, Lebanon and Syria, envisioning an EU-like community in the Middle East. The four countries signed a declaration last week to set up a free trade zone without visa restrictions and to establish a high-level cooperation council. The decision was received enthusiastically by the

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Turkish business community, who hope to benefit from Turkey's improved economic ties with regional countries, boost exports, and contribute to economic growth.

The combined gross domestic product (GDP) of the four countries is expected to total \$1.13 trillion this year, according to International Monetary Fund (IMF) estimates. Turkey has the largest economy in this proposed alliance, with an expected GDP of \$932.2 billion by the end of the year, which would make the country the 16th largest economy in the world. Trade volume between Turkey and the Arab world climbed to \$28.8 billion by the end of 2009, from \$7 billion in 2002, a more than fourfold increase. Currently more than one-fourth of the country's overall exports go to Arab countries. But, contrary to ongoing debates, European countries still play the greatest role in Turkey's foreign trade, though they purchased 50 percent less goods from Turkey last year due to still-ongoing economic troubles. /Today's Zaman/

Kazakhstan, Turkey Mull 'Action Plan' for Kyrgyzstan

Turkey and Kazakhstan discussed an 'action plan' of regional support for Kyrgyzstan after a key referendum is held in the turbulent country, Turkey's foreign minister said Monday. "Holding the June 27 constitutional referendum so that the current interim administration gains legitimacy from the people is very important for us," Ahmet Davutoğlu stated after talks with Kazakh President Nursultan Nazarbayev and Foreign Minister Kanat Saudabayev.

The talks focused on the diplomatic, economic, and security aspects of the support that regional countries may lend to Kyrgyzstan, he explained, adding that the issue would be discussed with "other friendly and brotherly countries." Davutoğlu said he and Saudabayev planned to visit Kyrgyzstan after the referendum "if the conditions permit" to "talk with the people directly to see what we can do and launch the action plan." Turkey and Kazakhstan discussed Kyrgyzstan's turmoil in their capacity as the current chairs respectively of the Conference on Interaction and Confidence Building Measures in Asia and the Organization for Security and Cooperation in Europe.

Ethnic violence in the south of the Central Asian country left hundreds dead and forced thousands from their homes this month following violent street protests that ousted President Kurmanbek Bakiyev in April. Kyrgyzstan's interim leader, Roza Otunbayeva, said earlier this month that a nationwide referendum planned for June 27 on constitutional reforms after Bakiyev's ousting would "take place at the scheduled time." /Hurriyet/

Turkey's Foreign Policy Sparks Debates in EU

Talk of Turkey's 'axis shift' away from the West has prompted European Union officials to reconsider their policies on Turkey's EU membership process. EU members have started to question whether they risk losing Turkey following the latter's vote against a US-backed UN Security Council resolution for tougher sanctions on Iran and its harsh reaction against the Israeli flotilla raid that left nine people dead.

The foreign ministerial meeting of the 27-nation bloc was joined by both EU foreign policy chief Catherine Ashton and Tony Blair, the Middle East envoy representing the quartet of

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Selected News on Turkey

international powers -- the United States, the European Union, the United Nations and Russia -- seeking Mideast peace. The meeting was to discuss a strategic perspective on Turkey, yet due to long debates on Gaza this discussion was shorter than planned.

Two approaches to Turkey's vote against the Iran sanctions emerged during the meeting, diplomatic sources stated. While one group, angry with Turkey's vote, argued that the process of Turkey's EU bid should be "frozen," another group argued that it was the EU's fault for leading Turkey to move away from the bloc due to its half-hearted approach toward the candidate country. The first group is not numerous, but their voices are "loud," diplomatic sources highlighted.

EU diplomats said that a longer debate was expected to be held on Turkey and its membership process during a foreign ministerial meeting next month. Last week Italian Foreign Minister Franco Frattini stated that there is a need to "reflect" on the errors made by Europe in relation to Turkey. One of them is "pushing the Turks away towards the East instead of trying to attract them towards us," Frattini said in an interview with the German daily Frankfurter Allgemeine Zeitung. /Today's Zaman/

TUSIAD Highlights

A delegation from TUSIAD Headquarters in Istanbul, including Chairwoman Ümit Boyner, Vice-Chair Tayfun Bayazit, Board Member Volkan Vural, and Soli Özel, advisor to the Chairwoman, arrived in Washington on Thursday for several high-level meetings. The busy day began with a working luncheon involving several policy experts and Turkey-watchers. This was followed by a panel discussion hosted by the Brookings Institution entitled "U.S.-Turkish Relations: A Perspective from the Private Sector" moderated by Ömer Taspınar and including speeches from Mrs. Boyner and Mr. Özel that focused on Turkey's new foreign policy and the recent crises in U.S.-Turkey relations. Mrs. Boyner stressed the need for effective communication between the two nations in addition to arguing against a Turkish 'axis-shift' away from the West.

Following a brief Q&A session the delegation, including TUSIAD US Representative Abdullah Akyuz, went to the State Department to meet with US Secretary of State Hillary Clinton and Philip Gordon, Assistant Secretary of State for European and Eurasian Affairs, among other State Department officials. The delegation held a press conference at the TUSIAD-US office before their return to Turkey.

June 22-28, 2010

CONTENTS:

- Erdoğan, Obama Hold 'Candid' Discussions on Sidelines of G20 Summit
- Turkish Airspace Closed to Israeli Military Flights
- Turkey Expects to Open 12th Chapter before Spain's EU Presidency Ends
- Turkey to Continue Efforts to Promote Stability in the Balkans
- EU Seeks Robust Foreign Policy Coordination with Turkey
- Energy Plays Key Role in Turkey's Integration with Europe

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Headquarters: Meşrutiyet Cad. No: 46 Tepebaşı 34420 İstanbul – Turkey
Ankara: İran Cad. No: 39/4 Gaziosmanpaşa 06700 Ankara – Turkey
Brussels: 13, Avenue des Gaulois, 1040 Brussels – Belgium
Washington D.C. : 1250 24th Street, N.W., Suite Nr. 300, Washington D.C. 20037 - USA
Berlin: Märkisches Ufer, 28 Berlin 10179 Germany
Paris: 33, Rue de Galilée 75116 Paris – France
Beijing: Beijing Lufthansa Centre, Office C-319, Beijing 100025, P. R. China

Phone: +90 (212) 249 19 29 **Fax:** +90 (212) 249 13 50
Phone: +90 (312) 468 10 11 **Fax:** +90 (312) 428 86 76
Phone: +32 (2) 736 40 47 **Fax:** +32 (2) 736 3993
Phone: +1 (202) 776 77 70 **Fax:** +1 (202) 776 77 71
Phone: +49 (30) 288 786 300 **Fax:** +49(30) 288 786 399
Phone: +33 (1) 44 43 55 35 **Fax:** +33 (1) 44 43 55 46
Phone: +86 (10) 6462 2066 **Fax:** +86 (10) 6462 3206
www.tusiad.org

e-mail: tusiad@tusiad.org
e-mail: ankoffice@tusiad.org
e-mail: bxloffice@tusiad.org
e-mail: usoffice@tusiad.us
e-mail: berlinoffice@tusiad.org
e-mail: parisoffice@tusiad.org
e-mail: tusiad.china@euccc.com.cn

Erdoğan, Obama Hold 'Candid' Discussions on Sidelines of G20 Summit

Prime Minister Recep Tayyip Erdoğan held talks with US President Barack Obama amid a downturn in relations between the two NATO allies following a Turkish vote against UN sanctions on Iran and a Turkish-Israeli crisis over an Israeli raid on an aid ship. Both Turkish and US officials have described the meeting, which took place on the sidelines of the G20 summit in Canada on Saturday, as "a mutually clear and open conversation of two allies."

The White House released a brief statement after the one-hour, 15-minute meeting. "President Obama met in advance of the G-20 dinner with Prime Minister Erdoğan of Turkey on Saturday evening. The two leaders had a wide-ranging and candid discussion between allies that addressed Iran's nuclear program, Middle East peace, the flotilla incident, Afghanistan, the PKK [the outlawed Kurdistan Workers' Party] and terrorism," said the White House. The fact that the adjective "strategic" was not used before the word "allies" in the White House statement was noteworthy. Yet, the expression "model partnership," first introduced by Obama during an April 2009 visit to Turkey, was used during the discussions. Obama's meeting with Erdoğan was not among announced planned bilateral meetings at the international gathering.

Turkish officials confirmed that the discussions covered the items listed in the White House statement. The US reiterated its support for Turkey in its fight against terrorism as well as the activities of a trilateral mechanism between Iraq, Turkey and the US in order to combat the PKK, which has been in existence since November 2008, after the Turkish side brought up the issue of the recent rise in attacks by the PKK against Turkish security forces.

Underlining the importance it attaches to bilateral relations between Israel and Turkey, Obama expressed uneasiness over the recent course of affairs regarding these relations and said Washington would continue to lend support for the resolution of bilateral problems between the two countries. Erdoğan, meanwhile, thanked Obama for his administration's contribution to Israel's release of activists on board an aid flotilla following the deadly May 31 raid by Israeli naval forces that led to the deaths of nine people.

Turkish and US officials also discussed a plan brokered by Brazil and Turkey for Iran to send 1.2 tons of its low-enriched uranium (LEU) abroad. The US didn't offer "any new mission" to Ankara regarding the Iran issue and didn't encourage the Turkish side to continue its mediation efforts between Tehran and world powers, sources said. /Today's Zaman/

Turkish Airspace Closed to Israeli Military Flights

Turkey partially closed its airspace to Israeli military flights in reaction to the attack on a Gaza-bound aid flotilla that left nine civilians dead, the prime minister and other officials have said. Diplomatic sources stated Monday that Turkey has rejected two separate Israeli requests to use Turkish airspace since early June. "The ban is about military flights. Civilian flights are not affected. Each request will be analyzed case by case." Prime Minister Recep Tayyip Erdoğan told reporters in Toronto, where he was attending a

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Selected News on Turkey

G20 summit, that Turkey imposed the ban after the May 31 raid on the Mavi Marmara vessel.

According to Israel's Yediot Ahronot newspaper, Turkey refused to allow a plane carrying Israeli military officers to pass through its airspace Sunday, forcing the transport plane, carrying more than 100 officers to memorial sites in Auschwitz, Poland, to make a detour. The Israeli military "refrained from responding officially to the event so as not to exacerbate the rift in relations," according to the paper.

This was the second time Turkey has rejected an Israeli request regarding its airspace since the beginning of the deterioration in ties between the two countries, according to diplomatic sources. Turkish authorities made it clear, however, that there is no blanket ban on the country's airspace to Israeli military flights. Even a partial closure of Turkish airspace is seen as important evidence of worsening relations including military ties. In the wake of the flotilla attack, the Turkish government threatened to cut off all military and defense-industry ties with Israel if certain conditions were not met. The Turkish military has remained cool to such calls on the grounds that severing cooperation would hurt its anti-terror fight.

After the Israeli flotilla raid, which killed eight Turks and one American of Turkish descent, Turkey withdrew its ambassador and canceled joint military drills. Ankara has said it will not return its ambassador and will reduce military and trade ties unless Israel apologizes for its actions. Turkey also wants Israel to agree to an international investigation and offer compensation for the victims on the Mavi Marmara, as well as lift the crippling blockade on the Gaza Strip. Israel has refused to apologize and has objected to the idea of an international inquiry into the operation, instead setting up its own investigative commission that includes two foreign observers. /Hurriyet/

Turkey Expects to Open 12th Chapter before Spain's EU Presidency Ends

A senior official from Turkey's Secretariat General for European Union Affairs has said that they expect to open the EU chapter on food safety and veterinary standards before Spain's EU term presidency concludes at the end of June. "We expect to open our 12th chapter, on food safety, veterinary safety and phytosanitation, at the June 30 intergovernmental conference in Brussels," said Ambassador Haluk Ilıcak, acting secretary-general for EU affairs. "Turkey has completed all technical criteria and Parliament has passed all necessary laws. We don't expect any opposition to the opening of this chapter," he declared following his address at the opening of the "Is It Possible to Live Together?" conference, organized by the Turkish Economic and Social Studies Foundation (TESEV) in İstanbul Wednesday.

Ilıcak also pointed out the difficulties related to the opening of new chapters between Turkey and the EU since Turkey started accession negotiations with the European bloc in 2005. In that regard, he said that out of 35 chapters, 33 of them are technical. Out of those, 17 are blocked. "So we are left with four chapters that can be opened as studies have been already carried out on the opening benchmarks," he said. Those chapters are food safety, veterinary and phytosanitary standards, public procurement, competition policy, and social policy and employment. There are nine chapters pending at the

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Headquarters: Meşrutiyet Cad. No: 46 Tepebaşı 34420 İstanbul – Turkey
Ankara: İran Cad. No: 39/4 Gaziosmanpaşa 06700 Ankara – Turkey
Brussels: 13, Avenue des Gaulois, 1040 Brussels – Belgium
Washington D.C.: 1250 24th Street, N.W., Suite Nr. 300, Washington D.C. 20037 - USA
Berlin: Märkisches Ufer, 28 Berlin 10179 Germany
Paris: 33, Rue de Galilée 75116 Paris – France
Beijing: Beijing Lufthansa Centre, Office C-319, Beijing 100025, P. R. China

Phone: +90 (212) 249 19 29 **Fax:** +90 (212) 249 13 50
Phone: +90 (312) 468 10 11 **Fax:** +90 (312) 428 86 76
Phone: +32 (2) 736 40 47 **Fax:** +32 (2) 736 3993
Phone: +1 (202) 776 77 70 **Fax:** +1 (202) 776 77 71
Phone: +49 (30) 288 786 300 **Fax:** +49(30) 288 786 399
Phone: +33 (1) 44 43 55 35 **Fax:** +33 (1) 44 43 55 46
Phone: +86 (10) 6462 2066 **Fax:** +86 (10) 6462 3206
www.tusiad.org

e-mail: tusiad@tusiad.org
e-mail: ankoffice@tusiad.org
e-mail: bxloffice@tusiad.org
e-mail: usoffice@tusiad.us
e-mail: berlinoffice@tusiad.org
e-mail: parisoffice@tusiad.org
e-mail: tusiad.china@euccc.com.cn

Selected News on Turkey

European Council, and eight chapters are suspended in negotiations. Ilıcak said five chapters have been blocked by France, and six more are blocked by Cyprus.

Spain is one of the strongest supporters of Turkey's membership in the EU, but no negotiating chapters have been opened thus far during the Spanish presidency, partially due to the fact that there are only a few chapters -- all of which require extensive work to be opened -- that are not blocked. Speaking at a parliamentary session reviewing the Spanish presidency, Spain's Prime Minister Jose Luiz Rodriguez Zapatero reiterated his government's support for Turkish accession and said talks could begin on one more chapter despite uncertainty surrounding the accession negotiations. /Today's Zaman/

Turkey to Continue Efforts to Promote Stability in the Balkans

Turkey will continue its cooperation efforts with Balkan countries to promote stability in the region, particularly Bosnia and Herzegovina, said Foreign Minister Ahmet Davutoglu Tuesday after meeting with his Bosnian and Serbian counterparts, Sven Alkalaj and Vuk Jeremic, on the sidelines of the Southeast European Cooperation Process (SEECP) summit in Istanbul. Turkey currently holds the SEECP's annual chair.

Davutoglu explained that such trilateral meetings, which started last October, serve as a good catalyst for both bilateral relations and Turkey's relations with the Balkan region as a whole. "Our main objective was to discuss Bosnia's preparation for a future of internal peace and security," he stated, adding that stability in Bosnia is important for the stability of both the Balkans and Europe. He added that Turkey will keep supporting Bosnia's NATO membership efforts.

For his part, Serbia's Foreign Minister Jeremic expressed support for continuing the trilateral meetings, saying they help more than any other past action to move the Balkan reconciliation process forward. He also said July would be a solemn month for the Balkans as well as the world, as the Srebrenica massacre would be commemorated. He added how this March the Serbian Parliament for the first time officially apologized for the 1995 massacre of some 8,000 Muslims in Srebrenica. "I am proud to be part of the administration which decided to apologize," Jeremic declared, adding that this had shifted how the Balkan countries look to the past and move together towards the future. "I hope the Balkans will become a zero-problem neighborhood," he said. Alkalaj explained the trilateral meetings are important not only for exchanging ideas but also for expanding cooperation for the countries involved. "We thank Turkey for supporting Bosnia's application for NATO membership," he said, adding that stability in the Balkans depends on Bosnia joining the alliance.

The heads of state of 11 countries, as well as high-level representatives of the European Union, Council of Europe, UNESCO, NATO, United Nations, Organization for Security and Cooperation in Europe (OSCE), and Black Sea Economic Cooperation (BSEC), participated in the SEECP summit. /Turkish Press Review/

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Headquarters: Meşrutiyet Cad. No: 46 Tepebaşı 34420 İstanbul – Turkey
Ankara: İran Cad. No: 39/4 Gaziosmanpaşa 06700 Ankara – Turkey
Brussels: 13, Avenue des Gaulois, 1040 Brussels – Belgium
Washington D.C. : 1250 24th Street, N.W., Suite Nr. 300, Washington D.C. 20037 - USA
Berlin: Märkisches Ufer, 28 Berlin 10179 Germany
Paris: 33, Rue de Galilée 75116 Paris – France
Beijing: Beijing Lufthansa Centre, Office C-319, Beijing 100025, P. R. China

Phone: +90 (212) 249 19 29 **Fax:** +90 (212) 249 13 50
Phone: +90 (312) 468 10 11 **Fax:** +90 (312) 428 86 76
Phone: +32 (2) 736 40 47 **Fax:** +32 (2) 736 3993
Phone: +1 (202) 776 77 70 **Fax:** +1 (202) 776 77 71
Phone: +49 (30) 288 786 300 **Fax:** +49(30) 288 786 399
Phone: +33 (1) 44 43 55 35 **Fax:** +33 (1) 44 43 55 46
Phone: +86 (10) 6462 2066 **Fax:** +86 (10) 6462 3206
www.tusiad.org

e-mail: tusiad@tusiad.org
e-mail: ankoffice@tusiad.org
e-mail: bxloffice@tusiad.org
e-mail: usoffice@tusiad.us
e-mail: berlinoffice@tusiad.org
e-mail: parisoffice@tusiad.org
e-mail: tusiad.china@euccc.com.cn

EU Seeks Robust Foreign Policy Coordination with Turkey

Turkey places great importance on synchronizing its foreign policy moves with those of the European Union, Foreign Minister Ahmet Davutoglu said Wednesday. Meeting with EU Commissioner for Enlargement and Neighborhood Policy Stefan Fule in Istanbul on the sidelines of the South-Eastern European Cooperation Process (SEECP) summit, Davutoglu stated, "The EU seeks stronger coordination between Turkey's rising foreign policy activity and the Union's common foreign policy perspective, something highly valued by Turkey as well." He added that EU Foreign Policy Chief Catherine Ashton will soon visit Turkey. Stating that he and Fule had discussed recent developments in Turkey's EU accession process, Davutoglu expressed that there could be important developments later this year on visa exemptions for Turkish nationals traveling to EU countries.

On his side, Fule said so-called "privileged partnership" proposals for Turkey in lieu of full EU membership are out of the question. "We stand by our promise that we gave Turkey in 2005 [when it started accession talks]," he said, expressing his hope that the negotiation chapter on food security will be opened soon. Fule also stressed that the EU will continue to support Turkey's fight against terrorism. In related news, in the declaration released at the end of SEECP summit, participating countries strongly condemned the terrorist PKK and expressed their condolences to the Turkish government and people for their casualties in a series of PKK attacks since last weekend. /Turkish Press Review/

Energy Plays Key Role in Turkey's Integration with Europe

A one-day international conference Wednesday regarding Turkey's role in European energy security brought analysts and officials to the conclusion that energy plays a major role in Turkey's integration with Europe and helps lessen dependence on Russian supplies. "Turkey is like an island surrounded by energy-rich regions," Sedat Laçiner, president of the Turkish think tank USAK, said in opening remarks. "With Arab countries in the south, Iran in the east and Russia in the north, Turkey has a very strategic location, which makes it more important than those nations that have oil sources."

The three-session conference, which came as a joint initiative between USAK and the German Konrad Adenauer Stiftung, brought local and foreign energy experts as well as government officials together. Deputy Undersecretary of the Ministry of Energy Yusuf Yazar, representing Energy Minister Taner Yıldız, said Turkey was coming after China in terms of countries with increased demand for energy sources. He explained that local resources were not sufficient to meet the increasing energy demand, prompting the need for energy diversification. "The objective of our energy policy is diversification," Yazar declared. He added Turkey was importing oil from Russia, Iran, Iraq and Saudi Arabia, importing natural gas from Russia, Iran and Azerbaijan, importing LNG [liquefied natural gas] from Nigeria and Algeria and working on a long-term contract with Qatar to expand LNG imports. /Hurriyet/

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

Headquarters: Meşrutiyet Cad. No: 46 Tepebaşı 34420 İstanbul – Turkey
Ankara: İran Cad. No: 39/4 Gaziosmanpaşa 06700 Ankara – Turkey
Brussels: 13, Avenue des Gaulois, 1040 Brussels – Belgium
Washington D.C. : 1250 24th Street, N.W., Suite Nr. 300, Washington D.C. 20037 - USA
Berlin: Märkisches Ufer, 28 Berlin 10179 Germany
Paris: 33, Rue de Galilée 75116 Paris – France
Beijing: Beijing Lufthansa Centre, Office C-319, Beijing 100025, P. R. China

Phone: +90 (212) 249 19 29 **Fax:** +90 (212) 249 13 50
Phone: +90 (312) 468 10 11 **Fax:** +90 (312) 428 86 76
Phone: +32 (2) 736 40 47 **Fax:** +32 (2) 736 3993
Phone: +1 (202) 776 77 70 **Fax:** +1 (202) 776 77 71
Phone: +49 (30) 288 786 300 **Fax:** +49(30) 288 786 399
Phone: +33 (1) 44 43 55 35 **Fax:** +33 (1) 44 43 55 46
Phone: +86 (10) 6462 2066 **Fax:** +86 (10) 6462 3206
www.tusiad.org

e-mail: tusiad@tusiad.org
e-mail: ankoffice@tusiad.org
e-mail: bxloffice@tusiad.org
e-mail: usoffice@tusiad.us
e-mail: berlinoffice@tusiad.org
e-mail: parisoffice@tusiad.org
e-mail: tusiad.china@euccc.com.cn