

September 2012

August 28-September 3, 2012

THIS WEEK:

TOP STORY

- Turkey to explain policy, demand efficient steps at UNSC meeting

FOREIGN POLICY

- CIA chief Petraeus meets Fidan
- Turkish deputy premier meets Chinese PM
- PM Erdoğan to embark on tour of Baku, Kiev, Sarajevo

ECONOMY / ENERGY

- August inflation up due to food and oil
- Government to introduce tax reform
- Tanap wants to take Turkmen gas

DOMESTIC POLITICS

- National Security Council convenes

TOP STORY

Turkey to explain policy, demand efficient steps at UNSC meeting

The Turkish Foreign Minister Ahmet Davutoğlu has said Turkey would explain its policy concerning the Syrian refugees and demand concrete action from the United Nations during an upcoming special meeting of the UN Security Council on Aug. 30. Davutoğlu pointed to the intense flow of Syrians into Turkey due to continuing violence in Syria, stating that not only Turkey, but also Iraq, Jordan and Lebanon were affected by the refugee influx. In a daily press review, US State Department spokesperson Victoria Nuland reiterated that the focal point of the US was to help Turkey handle flow of Syrian and get more assistance from the UN.

"There were nearly 13,000 Syrian refugees in Turkey when the mission of Kofi Annan (former joint UN and Arab League special envoy on Syria) took office in April. This figure has exceeded 80,000 now," he said. Turkey will open four new camps to accommodate refugees fleeing violence in Syria by next week, bringing its total capacity to 120,000 people, and is making plans for a continued influx, its disaster management agency announced on Aug. 28. At the same time, thousands of refugees are stuck on the border as authorities struggle to process an influx of refugees.

In addition to the refugee problem, Turkey has experienced increased violence over the past few months within its borders. Colonel Malik al-Kurdi, deputy commander of Free Syrian Army (FSA), has said that the Syrian government is the one to blame and is responsible for the latest terror attacks in Turkey. There have also been some rumors that the Apaydın Refugee Camp in Hatay is being used to train militants for the Free Syrian Army to stage attacks against the Syrian government. A Parliamentary Commission for Human Rights delegation sent to the area to address the issue has denied the rumors, stating that the camp was "similar to any other camp we've seen."

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Hurriyet Daily News, 28 August 2012, Turkey to open new Syria refugee camps for up to 120,000

Anadolu Agency, 29 August 2012, Turkey to explain policy, demand efficient steps at UNSC meeting

Anadolu Agency, 29 August 2012, US focuses on helping Turkey handle flow of Syrians

Anadolu Agency, 4 September 2012, "Gov't of Syria is responsible for terror attacks in Turkey"

Hurriyet Daily News, 4 September 2012, Commission denies rumors of militant training camp at Apaydın

## **FOREIGN POLICY**

### **CIA chief Petraeus meets Fidan**

David Petraeus, the director of the Central Intelligence Agency, staged an unscheduled tête-à-tête with his Turkish counterpart National Intelligence Organization (MİT) head Hakan Fidan on Sept. 2 in Istanbul to discuss the Syrian crisis and the Arab republic's possible transition process.

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Hurriyet Daily News, 4 September 2012, CIA chief Petraeus meets Fidan

Turkish Press Review, 3 September 2012, CIA leader's visit to show US support to Turkey over Syria and terror

Turkish deputy premier meets Chinese PM

Turkish Deputy Prime Minister Ali Babacan met Chinese Prime Minister Wen Jiabao in Urumqi, the capital of Xinjiang Uygur Autonomous Region in China, on September 2, to attend the opening of the 2nd China-Eurasia Expo. There are several incentive and development zones in Urumqi, of which 7,000 square meters is reserved for Turkey. Infrastructure projects are under way in the region.

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Anadolu Agency, 2 September 2012, Turkish deputy premier meets Chinese PM

Anadolu Agency, 3 September 2012, Urumqi waits for Turkish investors

### **PM Erdoğan to embark on tour of Baku, Kiev, Sarajevo**

Prime Minister Recep Tayyip Erdoğan will pay consecutive visits to Baku, Kiev and Sarajevo next month; in Baku and Kiev he will co-chair the second meetings of the high-level strategic cooperation councils established with these countries. While in Sarajevo, he will receive an award named after the founder of Sarajevo, Isa Beg Ishakovic.

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Hurriyet Daily News, 31 August 2012, PM Erdoğan to embark on tour of Baku, Kiev, Sarajevo

ECONOMY / ENERGY

August inflation up due to food and oil

Turkish inflation slowed to 8.88 percent in August, the national statistics institute TÜİK announced on Sep 2. On a monthly basis consumer prices increased by 0.56 percent bringing annual consumer price inflation down from 9.07 percent in July. The largest price increase was seen in food and energy. "I estimate Turkey will finalize the year with a six

percent inflation rate," Economy Minister Zafer Çağlayan predicted.

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Hurriyet Daily News, 3 September 2012, August inflation up due to food and oil

### **Government to introduce tax reform**

A draft income tax code making significant changes to the tax system was submitted to the Economic Coordination Council on Sep. 3 "to make laws simple, comprehensive and predictable. We have decreased the number of articles from 250 to less than 100 [by combining the two codes]," Şimşek said. The draft calls for a broadened tax base and a merging of corporate and income codes.

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Hurriyet Daily News, 3 September 2012, Government to introduce tax reform

Tanap wants to take Turkmen gas

Trans Anatolia Natural Gas Pipe Line (TANAP), launched by Turkey and Azerbaijan, may be enlarged with the inclusion of Turkmenistan. Energy Minister Taner Yıldız went to Turkmenistan to discuss the issue with EU's Energy Chief Guenther Oettinger and energy ministers of Turkmenistan and Azerbaijan.

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Turkish Press Review, 3 September 2012, Tanap wants to take Turkmen gas

## **DOMESTIC POLITICS**

### **National Security Council convenes**

The National Security Council (MGK) convened on Aug. 28 in Ankara to discuss the recent terrorist attacks in Turkey and the issue of a growing number of Syrians crossing into Turkey every day. The three-hour meeting was held under the chairmanship of President Abdullah Gül and also attended by Prime Minister Recep Tayyip Erdoğan and Chief of General Staff Gen. Necdet Özel. A press statement which was released following the monthly meeting of the council said, "It has been underlined that the fight against terrorism will continue with sensitivity and determination within the confines of the rule of law." The statement said it had discussed security concerns regarding the ongoing crisis in Syria and that nearly 80,000 Syrians had taken shelter after fleeing violence in their country.

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Turkish Press Review, 29 August 2012, National Security Council convenes

September 4-9, 2012

THIS WEEK:

TOP STORY

- Erdoğan: US elections hampering Syria action

FOREIGN POLICY

- PM Erdoğan meets with Iraqi Parliament speaker
- Turkey issues diplomatic note to France over genocide initiative

ECONOMY / ENERGY

- Turkey's economy grows 2.9 percent in Q2
- Turkey set to miss budget target, plans tighter policy

- Turkey's exports surpass 100 bln USD
- Turkey's competitiveness jumps

DOMESTIC POLITICS

- 25 killed in ammunition blast at Turkish military depot
- 373 PKK militants killed in five months: Turkish army
- CHP takes 3rd package to top court

TUSIAD HIGHLIGHTS

- TUSIAD cohosts "Understanding and Doing Business with China" conference
- Political and economic developments in Russia

TOP STORY

Erdoğan: US elections hampering Syria action

Prime Minister Recep Tayyip Erdoğan accused the US of not taking a leading role in the Syrian crisis in an interview he gave to Christiane Amanpour on September 5. Erdoğan said the biggest danger, not only for Turkey but for the entire region and the world, was the employment of weapons of mass destruction and chemical weapons in the region. Erdoğan said the US was "lacking of initiative" on Syria and suggested that could be because of the upcoming US election.

About Iran's suspected nuclear program, Erdoğan said "I do not believe Israel will attack Iran. It's a very null probability. Otherwise would have caused an apocalypse in the entire region. But I'm sure that I don't want to see anything like that happening in the region because in this day and age, that region needs peace and prosperity and stability."

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Turkish Press Review, 6, September 2012, Erdogan: US elections hampering Syria action  
CNN, 5 September 2012, Turkish PM: U.S. elections hampering Syria action

### FOREIGN POLICY

#### **PM Erdoğan meets with Iraqi Parliament speaker**

Turkish Prime Minister Recep Tayyip Erdoğan has met Iraqi Parliament Speaker Usame al-Nujaifi in Ankara on September 6. The meeting was closed to the press.

Meanwhile, the Iraqi Cabinet accepted the suggestions of the commission that was established to investigate the circumstances of the Turkish Foreign Minister Ahmet Davutoğlu's visit to Kirkuk last month, including the replacement Turkey's Mosul consul. The commission claimed that the consul had not informed the Foreign Ministry about accepting a foreign delegation.

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Hurriyet Daily News, 6 September 2012, Erdogan meets Iraqi Parliament Speaker

Turkey issues diplomatic note to France over genocide initiative

Turkey has issued a diplomatic note to France over its move to include the "Armenian Genocide" in history and geography books used in French secondary schools. Turkey's embassy in Paris issued a diplomatic note in the form of official letters to the French Foreign Ministry and Education Ministry to protest the inclusion in French textbooks of a two-page

section that details mass killings of Armenians in 1915 using what the embassy says are "fake documents." Ankara demanded that the French Authorities revise the data in the textbook and also warned that these textbooks will inflame hatred between the two nations.

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Turkish Press Review, 6 September 2012, Turkey Issues Diplomatic Note to France Over Genocide Initiative

## **ECONOMY / ENERGY**

### **Turkey's economy grows 2.9 percent in Q2**

Turkey's economy grew 2.9 percent in the April-May-June quarter. The figure is below expectations of 3.1-3.3 percent. The country's economy grew 9.2 percent in 2010 and 8.5 percent in 2011. Turkey is expected to achieve a 4 percent annual growth in 2012.

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The Anadolu Agency, 10 September 2012, Turkey's economy grows 2.9 percent in Q2

Turkey set to miss budget target, plans tighter policy

Turkey is very likely to miss its budget deficit target of 1.5 percent of national output this year as growth slows and tax revenues fall Finance Minister Mehmet Şimşek has stated. He added that the government is looking at corrective measures. Weakening domestic demand and disappointing privatization receipts combined with higher public sector wage costs and heavy infrastructure spending mean budgetary balances are deteriorating. Şimşek said they are working on the corrective measures but cannot comment on the timing.

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Hurriyet Daily News, 10 September 2012, Turkey set to miss budget target, plans tighter policy

### **Turkey's exports surpass 100 bln USD**

Turkish Minister of Economy Zafer Çağlayan announced that Turkey's exports surpassed 100 billion USD as of September 7. Çağlayan stressed that Turkey would be able to reach its goal of exports worth 148.5 billion USD by the end of 2012.

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Anadolu Agency, 8 September 2012, Turkey's exports surpass 100 bln USD

Turkey's competitiveness jumps

Turkey was ranked the world's 43rd most competitive economy in the World Economic Forum's (WEF) latest global competitiveness report released on September 6. Turkey moved up 16 spots in a year. "That's magnificent progress. Very few economies around the world are able to do that," Economy Minister Zafer Çağlayan said in a statement

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Turkish Press Review, 7 September 2012, Turkey's Competitive Power Jumps

## **DOMESTIC POLITICS**

### **25 killed in ammunition blast at Turkish military depot**

Turkey is mourning the loss of 25 soldiers killed in a munitions blast in the western province of Afyonkarahisar on September 5, but questions remain as to how such an 'incomprehensible' explosion could have occurred. The Turkish Armed Forces (TSK) said in a statement on September 5 that the blast occurred "for unknown reasons," adding that an administrative and judicial investigation into the incident has been launched.

Republican People's Party (CHP) leader Kemal Kılıçdaroğlu said "The military says the blast was 99 percent caused by sabotage," adding that he talked to high-ranking officers from the Armed Forces as well, who implied there were "strong indications pointing at sabotage" and that there was "more than one piece of evidence" indicating foul play.

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Hurriyet Daily News, 10 September 2012, Chief of General Staff arrives at military depot blast site

Hurriyet Daily News, 10 September 2012, Armory blast '99 percent sabotage,' Turkish opposition leader claims

### **373 PKK militants killed in five months: Turkish army**

Clashes between Turkish soldiers and members of the outlawed Kurdistan Workers' Party (PKK) have killed 461 people this year in almost 1,000 operations in the country's southeast, the military was quoted as saying by local media September 10.

The army has staged 974 operations over the last six months to drive out the PKK, which often stages ambushes against Turkish forces in the Kurdish-majority southeast, according to NTV.

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Hurriyet Daily News, 10 September 2012, 373 PKK militants killed in five months: Turkish army

Anadolu Agency, 10 September 2012, Turkish military says 330 terrorists have been killed between February-August

### **CHP takes 3rd package to top court**

The main opposition Republican People's Party (CHP) took a package of judicial reform – known as the third judicial reform package – to the Constitutional Court on September 9, asking for the annulment of some articles of the package. Emine Ülker Tarhan, deputy chair of the parliamentary group of the CHP, argued in a written statement that the establishment of courts specially designed to prosecute certain people was the most striking characteristic of the package.

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Hurriyet Daily News, 10 September 2012, CHP takes 3rd package to top court

## **TUSIAD HIGHLIGHTS**

### **TUSIAD cohosts “Understanding and Doing Business with China” conference**

TUSIAD International, TUSIAD’s strategic business development branch, and Foreign Economic Relations Board (DEIK) Turkish-Chinese Business Council will [cohost](#) the “[Understanding and Doing Business with China](#)” Conference on September 11, in Istanbul

### **Political and economic developments in Russia**

Boğaziçi University-TUSIAD Foreign Policy Forum will organize a meeting on the political and economic developments in Russia on September 17, in Istanbul. Olga Oksana Antonenko, the Senior Political Counselor at the European Bank for Reconstruction and Development, will be the speaker of the meeting.

### **September 10-17, 2012**

#### **THIS WEEK:**

##### **FOREIGN POLICY**

- Dempsey wraps up Syria talks in Turkey
- US, Turkey join hands for Iraq energy dispute
- Turkey refuses to extradite fugitive Iraqi vice president
- President Obama has sent a personal message to Erdoğan

##### **ECONOMY / ENERGY**

- Turkey's current-account deficit narrows to 21-month low
- Turkey agrees on \$2 bln package for Egypt

##### **TUSIAD HIGHLIGHTS**

- TUSIAD released “Sustainable Tourism” report
- “Understanding and Doing Business with China” Conference
- TUSIAD High Advisory Council meeting

## **FOREIGN POLICY**

### **Dempsey wraps up Syria talks in Turkey**

US Chairman of the Joint Chiefs of Staff Gen. Martin Dempsey met with his Turkish counterpart Chief of General Staff Gen. Necdet Özel on September 17 in Ankara. The ongoing violence in Syria “regional security issues; the two countries’ relations within the context of NATO; the incidents which recently took place in Afghanistan; and the cooperation in the fight against terror and intelligence sharing,” were discussed during the meeting. After the meeting, Dempsey described Turkish and US interests in Syria as identical, and was quoted as saying “I’m here to learn, but I’m also here to share what we think of this [Syrian situation] regionally. They are facing an immediate threat to their southern border. As a partner – bilaterally and also in NATO – we’re attuned to it.”

The visit comes shortly after US Deputy Secretary of State Bill Burns postponed his visit to Turkey scheduled for Sept. 14 in order to accompany the remains of the four diplomats to the US. The delegation led by Ambassador Robert Ford and Derek H. Chollet, assistant secretary of defense for international security affairs at the Department of Defense, continued consultations as planned.

Meanwhile, US Attorney General Eric Holder will hold talks with Turkish officials today and tomorrow as part of a regional tour also covering Qatar and Saudi Arabia. Holder will meet with Justice Minister Sadullah Ergin and U.S. Ambassador to Turkey Francis J. Ricciardone. He will also meet with Deputy Prime Minister Beşir Atalay and Parliament Speaker Cemil Çiçek.

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Hurriyet Daily News, 17 September 2012, Dempsey wraps up Syria talks in Turkey
Hurriyet Daily News, 17 September 2012, Top US general in Ankara to discuss Syria crisis
US Department of Defense, [Dempsey, Turks discuss regional issues](#)

US, Turkey join hands for Iraq energy dispute

Ankara and Washington join hands for addressing ways to approach Iraq's simmering internal row over energy issues, urging dialogue with rival governments. The US and Turkey have shared concerns over an ongoing dispute between Baghdad and the Kurdish Regional Government (KRG) over the latter's oil deals with foreign companies, agreeing that the dispute should be resolved through "dialogue and in line with the Iraqi Constitution." The issue was discussed during meetings of US Ambassador Carlos Pascual, the State Department's special envoy and coordinator for international energy affairs, with senior Turkish officials which took place on Sept. 6-7. At the Foreign Ministry, the US delegation was received by the undersecretary, Ambassador Feridun Sinirlioğlu.

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The Hurriyet Daily News, 11 September 2012, US, Turkey Join Hands For Iraq Energy Dispute

### **Turkey refuses to extradite fugitive Iraqi vice president**

Turkey refused to extradite Iraq's fugitive vice president Tareq al-Hashemi, who was sentenced in absentia to death by an Iraqi court, AFP has reported. "We will host Hashemi in our country as long as he wants to remain in Turkey. We will not hand him over," Prime Minister Recep Tayyip Erdoğan told a news conference in Ankara.

Turkish Foreign Minister Ahmet Davutoğlu had met Hashemi on September 9 on his arrival to Ankara after his sentencing on the charges of plotting terrorist attacks in Iraq. Hashemi told reporters that the meeting with the Turkish FM was planned earlier, adding that they discussed "issues of bilateral and joint interest" and the death penalty on the Iraqi vice president.

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The Anadolu Agency, 10 September 2012, Turkish FM Meets with Hashemi
The Hurriyet Daily News, 11 September 2012, Turkey Refuses to Extradite Fugitive Iraqi Vice President

President Obama has sent a personal message to Erdoğan

US President Barack Obama has asked for Turkish Prime Minister Recep Tayyip Erdoğan's help in showing reaction to violence following angry protests that targeted American diplomatic missions over a film that insulted and degraded the Prophet Muhammad, a White House spokesperson said on Sept. 14. Turkish Foreign Minister Ahmet Davutoğlu offered his condolences to US Secretary of State Hillary Clinton by phone on the killing of US

ambassador to Libya Christopher Stevens in a terrorist attack on the US consulate in Benghazi on Sept 12.

Erdoğan condemned the film for provoking Muslims but also slammed others for using the movie as an excuse to commit violence. "I want to remind the Muslims of the world one more time. The film was a serious provocation. Those who are resorting to violence should know that this is a provocation of Muslims and we reject it," Erdoğan said in a speech at a conference in the Ukrainian Black Sea resort of Yalta on Sept. 14.

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The Hurriyet Daily News, 15 September 2012, PM Warns Muslims of Provocation over Film  
The Anadolu Agency, 15 September 2012, President Obama has sent a personal message to Erdogan

The Anadolu Agency, 16 September 2012, Turkish FM Condoles with U.S. Secretary of State

## **ECONOMY / ENERGY**

### **Turkey's current-account deficit narrows to 21-month low**

Turkey's current-account deficit narrowed to a 21-month low in July as exports increased, a sign the economy is rebalancing in line with the central bank's projections. Exports to the Middle East and North Africa are helping offset a decline in trade with the struggling euro zone, Turkey's biggest trading partner. Lower oil prices and declining domestic demand have also contributed to the tighter current-account gap.

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The Wall Street Journal, 11 September 2012, Turkey's current-account deficit narrows to 21-month low

Turkey agrees on \$2 bln package for Egypt

Turkey and Egypt have agreed on the framework of a \$2 billion financial package for the recovering North African country. The aid deal was reached at a meeting between Turkish Deputy Prime Minister Ali Babacan and a high-ranking Egyptian mission to Turkey, headed by Egyptian Vice President Essam El Haddad, on Sept. 15. Egypt's minister of finance, planning and international cooperation, Ashraf Al Araby, was also present on the team.

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The Hurriyet Daily News, 17 September 2012, Turkey Agrees on \$2bln Package for Egypt

## **TUSIAD HIGHLIGHTS**

### **TUSIAD released "Sustainable Tourism" report**

TUSIAD [released](#) its newest report titled "[Sustainable Tourism](#)" on September 13 in Istanbul. The report highlights the importance of the adoption of sustainable practices in the tourism sector, especially around the Mediterranean basin, in the light of increasing population and depletion of natural resources. The report is available here (in Turkish).

### **"Understanding and Doing Business with China" Conference**

TUSIAD Board of Directors President Ümit Boyner gave an opening [speech](#) in the "Understand and Doing Business with China" conference cohosted by TUSIAD and DEIK on

September 11, 2012. The discussion focused on China's rising economy and the Turkish-Chinese relations.

### **TUSIAD High Advisory Council meeting**

TUSIAD High Advisory Council meeting was held in Istanbul on September 14, 2012. The opening speeches were given by [Erkut Yücaoglu](#), Chairman of the High Advisory Council, [Ümit Boyner](#), the President of the Board of Directors of TUSIAD, [Cemil Çiçek](#), Chairman of the Parliament (TBMM).

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Hurriyet Daily News, 15 September 2012, Polarization deepens, says industrialist

September 17-23, 2012

THIS WEEK:

TOP STORY

- Syrian forces, rebels clash near Turkey

DOMESTIC POLITICS

- Controversial coup ruling sees no end
- Report says Turkey's Kurdish conflict has turned more violent
- Parliament to open with hectic agenda

ECONOMY / ENERGY

- Turkey cuts lending rate, hints at more action
- Candu is in talks with Turkey about second nuclear plant
- Last-minute tax hikes on gas, autos, alcohol draw criticism

FOREIGN POLICY

Syrian forces, rebels clash near Turkey

Fierce clashes broke out Sept. 15 between Syrian rebels and regime forces battling for control of a border crossing on the frontier with Turkey, and Turkish authorities told residents to evacuate the area. The violence along the border with Turkey, which is a strong supporter of the rebels trying to oust President Bashar Assad, underlines the regional danger as the Syrian civil war increasingly draws in neighboring countries.

Prime Minister Recep Tayip Erdoğan spoke with the Washington Post on Sept. 18 on Syria. Pointing to the refugee and the internal displacement numbers in Syria, Erdoğan reiterated that the Assad regime had to go, but that this process depended on China and Russia. Speaking on the role of the US, Erdogan stated that the US "has been part of the process through [its] statements but has not had any other contribution." He added that Turkey would continue to provide logistical support in the form of food and medicine.

UN-Arab league envoy for Syria Lakhdar Brahimi toured the Altınözü, Hatay camp in Turkey on Sept. 18. Brahimi said he hoped for peace in the war-torn country and an early return home for Syrian refugees, as dozens of refugees staged a demonstration denouncing Syrian President Bashar al-Assad.

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ABC News, 17 September 2012, Syrian Forces, Rebels Clash Near Turkey

Voice of America, 18 September 2012, UN Syria Envoy Visits Refugees in Turkey

The Washington Post, 20 September 2012, Lally Weymouth interviews Turkish Prime Minister Recep Tayyip Erdogan

## **DOMESTIC POLITICS**

### **Controversial coup ruling sees no end**

The court verdict in the Balyoz (Sledgehammer) coup plot case came on September 21, sentencing 331 retired and serving soldiers, including three retired generals, to 13-20 years in prison each. The Turkish government preferred to use cautious language regarding the court verdict. Commenting on the issue minutes after the sentences were announced, Prime Minister Recep Tayyip Erdoğan avoided elaborating on the ruling, pointing to the appeals process.

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Hurriyet Daily News, 21 September 2012, Court hits ex-top soldiers hard
Wall Street Journal, 21 September 2012, Hundreds Convicted in Turkish Coup Trial
Reuters, 23 September 2012, Turkey clips military's wings in landmark verdict
Hurriyet Dailey News, 24 September 2012, Controversial coup ruling sees no end

Report says Turkey's Kurdish conflict has turned more violent

Turkey's long-simmering war with a Kurdish insurgency has escalated over the last year, reaching death tolls unseen in more than a decade, a new report from the International Crisis Group, a conflict resolution organization, stated. "Turkey's Kurdish conflict is becoming more violent, with more than 700 dead in fourteen months, the highest casualties in thirteen years," concluded the report. In one of the latest attacks, on Sep 20, suspected members of the Kurdistan Workers' Party (PKK) set a school building on fire in the eastern province of Hakkari's Şemdinli district.

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CNN, 18 September 2012, Report says Turkey's Kurdish conflict has turned more violent  
Hurriyet Daily News, 21 September 2012, PKK burns school building in SE Turkey

### **Parliament to open with hectic agenda**

Turkey's Parliament is set to begin its new legislative year on Oct. 1 with a hectic agenda, including a date change for local elections, possibly lifting the immunity of some lawmakers and the extension of a mandate permitting cross-border military operations. In addition, the ruling Justice and Development Party (AKP) will hold its fourth congress on Sept. 30.

Due to his busy schedule, Prime Minister Recep Tayyip Erdoğan has canceled a visit to New York for the UN General Assembly. Foreign Minister Ahmet Davutoğlu will represent Turkey at the UN instead.

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Hurriyet Daily News, 21 September 2012, Parliament to open with hectic agenda
Hurriyet Daily News, 21 September 2012, Turkish PM cancels visit to New York

ECONOMY / ENERGY

Turkey cuts lending rate, hints at more action

Turkey's central bank cut its overnight lending rate for the first time in seven months on Sept. 18 and hinted it could do more to try to cushion a slowdown in economic growth. The bank cut the upper boundary of the interest rate corridor by 150 basis points to 10 percent, a bigger cut than economists had forecast and took steps to keep loan growth in check to avoid overheating.

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Reuters, 18 September 2012, Turkey cuts lending rate, hints at more action

### **Candu is in talks with Turkey about second nuclear plant**

Canada's Candu Energy Inc., owned by SNC-Lavalin Group Inc. (SNC), is holding talks with Turkey about building the country's second nuclear plant, the Anatolia news agency reported, citing Energy Minister Taner Yıldız. Turkey is planning to build the second facility by 2023 at Sinop on the Black Sea coast. Russia is to build Turkey's first plant at Akkuyu on the Mediterranean.

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Business Week, 20 September 2012, Candu Is in Talks With Turkey About Second Nuclear Plant

Turkish Press Review, 20 September 2012, Four Offers For Nuclear Power Plant

Last-minute tax hikes on gas, autos, alcohol draw criticism

Sector representatives point at negative results of weekend's large special consumption tax hike on automobiles, gasoline and alcoholic drinks. The tax hike, which comes right after the government's fresh warnings over a budget deterioration for 2012, also poses risks of high inflation, according to economists.

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Hurriyet Daily News, 24 September 2012, Last-minute tax hikes on gas, autos, alcohol draw criticism

## **September 24-30, 2012**

### **THIS WEEK:**

#### **DOMESTIC POLITICS**

- Erdoğan at party congress looks to the future

#### **FOREIGN POLICY**

- Davutoğlu represents Turkey in the UN General Assembly
- Turkey, Brazil and Sweden to cooperate to prevent assaults against sacred values
- US official Gordon: PKK a challenge not only for Turkey but also for US
- Turkey to extend mandate for ground incursion into northern Iraq

#### **ECONOMY / ENERGY**

- Turkey's trade deficit narrows
- Turkey yields rise to one-month high on energy price increases
- Turkey sends "Bill Gates of the future" to US Silicon Valley

## **DOMESTIC POLITICS**

### **Erdoğan at party congress looks to the future**

Prime Minister Recep Tayyip Erdoğan addressed thousands of party members and regional leaders at a congress of his Justice and Development Party on September 30. In an emotional 2½-hour address, Erdoğan said he would stick to his promise to step down as prime minister and leader of the ruling Justice and Development party at the end of the current parliamentary term, while alluding to his ambition to become the country's first directly elected president.

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Washington Post, 29 September 2012, Turkey's ruling party to hold major congress, seeking to build on past electoral success

Financial Times, 30 September 2012, Turkey looks to Erdogan's future

Reuters, 30 September 2012, Turkey's Erdogan flaunts democratic credentials in Muslim world

FOREIGN POLICY

Davutoğlu represents Turkey in the UN General Assembly

Foreign Minister Ahmet Davutoğlu represented Turkey at the UN General Assembly, giving a speech on Sept. 28. In his address to the General Assembly, the Turkish foreign minister blasted the UN Security Council for its stalemate over the Syrian civil war.

Davutoğlu and US Secretary of State Hillary Clinton met earlier in the week on Sept. 26 to discuss Syria, Turkish-Israeli relations, Iraq and NATO issues. They exchanged views on ways to strengthen the Syrian opposition and to ensure that the international community gets more politically active.

Davutoğlu also met with Iranian President Mahmoud Ahmadinejad on Sept. 26. During the meeting, Davutoğlu reportedly called on the Iranian President to use his influence to help bring pressure on the Assad regime to end the crisis in Syria. Both sides reaffirmed that the cooperation between Turkey and Iran was of utmost importance as Davutoğlu conveyed Turkey's expectations on the fight against terrorism and unease over recent remarks by senior Iranian authorities.

Meanwhile, as of Sept. 25, the number of Syrian refugees in Turkey had reached 87,774.

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Turkish Press Review, 25 September 2012, UN General Assembly kicks off in New York

Hurriyet Daily News, 25 September 2012, Number of refugees nears 90,000

Turkish Press Review, 27 September 2012, Davutoglu holds contacts with worldl Leaders

Turkish Press Review, 28 September 2012, Davutoglu meets with Ahmadinjad

Hurriyet Daily News, 28 September 2012, FM continues Syria diplomacy at UN

Washington Post, 28 September 2012, Turkey blasts UN council over Syria inaction, says delay is a tool in the hands of tyrants

### **Turkey, Brazil and Sweden to cooperate to prevent assaults against sacred values**

On the sidelines of the 67th UN General Assembly in New York, Foreign Minister Ahmet

Davutoğlu announced on that Turkey had started a new initiative known as “three soft powers from three continents” along with Brazil and Sweden. Speaking to members of the Turkish press in New York, Davutoğlu said that the initiative is aimed at preventing further assaults against sacred values by raising the issue at the UN Alliance of Civilizations (UNAOC) meeting.

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Turkish Press Review, 27 September 2012, Turkey, Brazil and Sweden to cooperate to prevent assaults against sacred values

US official Gordon: PKK a challenge not only for Turkey but also for US

US Assistant Secretary of State for European and Eurasian Affairs Philip Gordon has said that dealing with the PKK is a challenge not just for Turkey but for the US as well. "We see it as a terrorist organization that should be combated. And we work very closely with Turkey in supporting [Turkey] against the threat from the PKK," added Gordon on Sept. 27.

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Turkish Press Review, 28 September 2012, US official Gordon: PKK a challenge not only for Turkey but also for US

### **Turkey to extend mandate for ground incursion into northern Iraq**

Turkey's Cabinet sought approval from parliament to extend a mandate for ground troops to be sent into Iraq to fight PKK militants, Deputy Prime Minister Bülent Arınç said. Parliament will reconvene from its summer holiday on Oct. 1 and is expected to give priority to a one-year extension of the mandate for cross-border attacks, which expires on Oct. 17.

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Reuters, 25 September 2012, Turkey to extend mandate for ground incursion into northern Iraq

ECONOMY / ENERGY

Turkey's trade deficit narrows

Turkey's trade gap narrowed more than expected in August, boosted by a jump in gold exports, as the country found new markets to replace recession-bound Europe and to help trim its troubling current-account deficit. The trade shortfall declined by almost a third to \$5.86 billion in August from \$8.43 billion a year earlier, thanks to a 14.5% year-on-year increase in exports and 4.8% drop in imports, according to data issued on Sept. 28 by the national statistics institute. Economists projected a \$7.9 billion deficit, little changed from July.

Turkey will clear its remaining \$1.3 billion of debt to the International Monetary Fund (IMF) by next April, Prime Minister Tayyip Erdoğan told a ruling party congress on Sept. 30. "We took over \$23.5 billion of debt. As of now we have \$1.3 billion of debt and we will cut it to zero in April. We are holding technical discussions now," Erdoğan stated.

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The Wall Street Journal, 28 September 2012, Turkey's trade deficit narrows  
Reuters, 1 October 2012, Turkey will clear \$1.3 billion IMF debt by April: Erdogan

### **Turkey yields rise to one-month high on energy price increases**

Yields on two-year benchmark Turkish debt rose to the highest level in almost a month after electricity and natural gas price increases spurred expectations that inflation will quicken. The yield on two-year fixed income securities climbed to 7.62 percent, marking the highest level since Sept. 4 on a closing basis. The lira gained 0.1 percent to 1.7948 per dollar.

Turkey raised natural gas and electricity prices by 9.8 percent starting October 1 in line with rising global energy costs, state officials announced, a move that will help support public finances but will also increase inflation pressure. The price hikes were signaled last week by Prime Minister Tayyip Erdoğan who said prices would be raised by between 10-15 percent in early October, a further step to try and curb a widening budget deficit.

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Bloomberg, 1 October 2012, Turkey yields rise to one-month high on energy price increases
Reuters, 1 October 2012, Turkey raises gas, electricity prices by 9.8 pct.

Turkey sends "Bill Gates of the future" to US Silicon Valley

The Turkish Industry Ministry will send 10 techno-entrepreneurs to Silicon Valley with 100,000 Turkish Liras of support for their projects, the first step in a new, recurring project. The ministry will continue sending young people in groups of 10 to Silicon Valley, the home for many global technology firms in the US, Minister Nihat Ergün told Anatolia news agency.

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Hurriyet Daily News, 1 October 2012, Turkey sends Bill Gates of future to US Silicon Valley