

MARCH 2013**THIS MONTH:**

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DOMESTIC POLITICS**PKK leader offers a truce with Turkey**

The jailed leader of the Kurdistan Workers' Party (PKK) Abdullah Öcalan on Thursday called for a cease-fire and ordered all his fighters off Turkish soil, in a landmark moment for a newly energized effort to end three decades of armed conflict with the Turkish government.

Since its start late last year, the peace effort has transfixed a Turkish public traumatized by a long and bloody conflict that has claimed nearly 40,000 lives and fractured society along ethnic lines. While there have been previous periods of cease-fire between Turkey and PKK, never before has there been so much support at the highest levels of both the Turkish and Kurdish leadership.

“We reached the point where weapons should go silent and ideas speak,” Öcalan wrote in a letter read out to crowds gathered in the Diyarbakır. “A new era starts when politics, instead of guns, comes to the forefront.”

The deal is far from done, however. Notably, while Öcalan called for militants to retreat to bases in the mountains of northern Iraq, he did not order them to disarm. And a long process of constitutional reform and negotiations over Kurdish prisoners lies ahead.

The Turkish government had come under bomb and missile attack the night before in what a deputy prime minister said could have been an attempt to wreck the peace process before the announcement. Early on Wednesday, a small bomb exploded near state offices on the Asian side of Istanbul, damaging windows but resulting in no casualties, while police defused separate explosives in front of a cultural center in the city. Hours earlier, unidentified assailants attacked the Justice Ministry and offices of the ruling AK Party with homemade bombs and a shoulder-fired missile in the capital Ankara. One person was slightly wounded in the ministry attack. The outlawed Revolutionary People's Liberation Party-Front, or DHKP-C, claimed responsibility.

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Huffington Post, 20 March 2013, [Turkey bombings: DHKP-C, Marxist group, claims attacks on ruling party headquarters, Justice Ministry](#)

Reuters, 20 March 2013, [Turkey targeted in bomb attacks before expected rebel ceasefire](#)

The Guardian, 20 March 2013, [Kurdish leader Abdullah Öcalan declares ceasefire with Turkey](#)

Al Jazeera, 21 March 2013, [Timeline: PKK conflict with Turkey](#)

New York Times, 21 March 2013, [Jailed leader of the Kurds offers a truce with Turkey](#)

Reuters, 23 March 2013, [Kurdish rebels declare formal ceasefire with Turkey](#)

## **FOREIGN POLICY**

### **Obama ends Israel visit by brokering end to dispute with Turkey**

Prodded by President Obama, Israel and Turkey agreed Friday to end a three-year rift caused by a deadly Israeli commando raid on a Turkish ship bound for Gaza, a rapprochement urgently sought by the United States to help contain spillover from the worsening fighting in Syria. During an airport meeting with Obama at the end of his two-day visit to Israel, Prime Minister Benjamin Netanyahu phoned Turkish Prime Minister Recep Tayyip Erdoğan, Israeli and U.S. officials said.

Netanyahu apologized for the deaths of nine activists aboard the Turkish ship and promised to reach an agreement on compensation to their families, according to a statement from his spokesman. The Israeli and Turkish leaders agreed to restore normal relations, including the return of ambassadors and the cancellation of Turkish legal proceedings against four former senior Israeli army commanders accused of involvement in the raid, Israeli officials said. Netanyahu also agreed to ease restrictions on Gaza.

“The United States deeply values our close partnerships with both Turkey and Israel, and we attach great importance to the restoration of positive relations between them in order to advance regional peace and security,” Obama said in a statement. “I am hopeful that today’s exchange between the two leaders will enable them to engage in deeper cooperation on this and a range of other challenges and opportunities,” the president added.

Concern that Syria’s stockpile of chemical weapons could reach militant groups bordering Israel and Turkey was the motivation for restoring relations with Ankara after a three-year rift, Israel’s prime minister said Saturday. Netanyahu wrote on his Facebook page that Israel and Turkey, which border Syria, need to communicate with each other over the Syrian crisis. “The fact that the crisis in Syria intensifies from moment to moment was the main consideration in my view,” he said.

Erdoğan suggested on Sunday that “normalization” of ties with Israel would take time, hinting that Turkey wanted to ensure the victims of a flotilla raid were compensated and Israel remained committed to the easing of restrictions of goods to Gaza before relations are restored between the two nations. “We have said: ‘an apology will be made, compensation will be paid and the blockade on Palestine will be lifted. There will be no normalization without these,’” he said. “Normalization will happen the moment there is an implementation. But if there is no implementation, then I am sorry.”

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Washington Post, 22 March 2013, [Obama ends Israel visit by brokering end to dispute with](#)

Turkey

Foreign Policy, 22 March 2013, [Inside Bibi's apology to Turkey](#)

Wall Street Journal, 22 March 2013, [Israeli apology resets alliance with Turkey](#)

Reuters, 22 March 2013, [Obama brokers Israel-Turkey rapprochement](#)

Washington Post, 23 March 2013, [Fear over Syrian weapons motivated apology to Turkey, Netanyahu says](#)

John Kerry visits Turkey

In his first trip overseas as Secretary of State, John Kerry made a stop in Ankara. The primary focus of the trip was finding common ground on the conflict in Syria. In a March 1 joint press conference with Turkish Foreign Minister Ahmet Davutoğlu, Kerry said "Minister Davutoglu and I, along with our partners, believe that there is no legitimacy in a regime that commits atrocities against its own people." Kerry and Davutoğlu also discussed cooperation on TTIP, the Transatlantic Trade and Investment Partnership.

However, discussions of Syria have been overshadowed by reactions to Prime Minister Erdoğan's remarks likening Zionism to fascism. Kerry stated he found the comment "objectionable," making peace "more complicated," but believes the damage can be repaired. Kerry also spoke at a memorial for the Turkish guard killed in the embassy bombing. American officials said they would like to find some way to foster an improvement in Turkish-Israeli relations, which the official on Mr. Kerry's plane described as "frozen."

Kerry also met with Turkish President Abdullah Gül. Gül conveyed his thoughts on bilateral relations, his views on a solution to the Cyprus issue, Turkey's possible participation in a free trade agreement between the U.S. and the European Union, counter-terrorism, Syria, Iraq and the Middle East peace process. Kerry emphasized that Turkey was his country's closest possible ally in the solution to the problems.

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New York Times, 1 March 2013, [Kerry comes to Turkey with rebuke of its leader over Zionism remark](#)

USA Today, 1 March 2013, [Kerry: Turkish comments complicate Mideast process](#)

Al Jazeera, 1 March 2013, [Kerry discusses Syria crisis in Turkey](#)

Hurriyet Daily News, 4 March 2013, [Gül gives Kerry old photograph with 'three most important men' in U.S.](#)

## **Economy Minister Çağlayan arrives in the U.S.**

Economy Minister Zafer Çağlayan arrived in the U.S. on April 1 for a five day visit. During his visit, he is holding meetings in Houston, Austin, and Los Angeles. During his visit, Transatlantic Trade and Investment Partnership will be the main agenda item.

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World Bulletin, 1 April 2013, [Turkish Airlines begins Houston flights](#)
Ihlas Haber Ajansi, 20 March 2013, [Bakan Çağlayan ABD'ye gidiyor](#)

Turkey detains 11 suspected of links to Al Qaeda

The Doğan news agency reported on February 28 that Turkish police captured 11 individuals with possible Al Qaeda links and took possession of 55 pounds of plastic explosives. The raids took place in Istanbul and Tekirdağ. Reportedly, police found photos of the U.S. Consulate, a church, and a synagogue in Istanbul during the raid.

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Fox News, 28 February 2013, [Turkey detains 11 suspected of links to Al Qaeda](#)

### **Turkey to buy 10 locally made Anka drones**

Turkey is preparing to sign a contract for 10 locally made UAV systems dubbed the Anka, procurement authorities said. Murad Bayar, Turkey's chief procurement official, told reporters that a final round of talks for the contract involving the 10 UAVs and their ground control stations is underway. He said the contract would be signed in the next couple of months. This will mark Turkey's first purchase of UAVs designed, developed and manufactured indigenously.

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Defense News, 4 March 2013, [Turkey to buy 10 locally made Anka drones](#)

CIA seizes Bin Laden's son-in-law in Jordan after deportation by Turkey

Osama bin Laden's son-in-law Sulaiman Abu Ghaith was seized by CIA agents and taken to the United States. Abu Ghaith, the former spokesman of the Al-Qaeda network, was seized last month at a luxury hotel in Ankara after a tip-off from CIA and was held there by the police despite a U.S. request for his extradition. Turkish authorities deported Abu Ghaith to Jordan on March 1 to be sent back to Kuwait but he was seized by CIA agents in Jordan and taken to the United States. Abu Ghaith's trial will mark one of the first prosecutions of senior al-Qaida leaders on U.S. soil.

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Business Insider, 7 March 2013, [CIA seizes Bin Laden's son-in-law in Jordan and takes him to America](#)

Huffington Post, 7 March 2013, [Sulaiman Abu Ghaith, Osama Bin Laden's spokesman and son-in-law, captured by CIA](#)

### **Turkey, Germany arrest Iranians in nuclear smuggling scheme**

German and Turkish security officials have caught smugglers suspected of transporting nuclear materials from India to the Iranian city of Arak. Security officials conducted a simultaneous raid in Germany and in Istanbul, leading to several arrests.

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Washington Times, 11 March 2013, [Turkey, Germany arrest Iranians in nuclear smuggling scheme](#)

Turkey accredits ambassador to “Palestinian state”

The title of Turkey’s consul-general in Jerusalem has been upgraded to “ambassador” in an apparent reflection of Palestine’s new, non-member state status in the United Nations. Turkey’s consul-general in Jerusalem, Şakir Özkan Torunlar, will present credentials to Palestinian President Mahmoud Abbas.

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Hurriyet Daily News, 6 March 2013, [Turkey accredits ambassador to “Palestinian state”](#)

### **Iran sends arms to Syria via Turkey, say diplomats**

Iran has significantly stepped up military support to Syrian President Bashar al-Assad in recent months by sending arms to the regime via Turkey, solidifying its position alongside Russia, Western diplomats said. Iranian weapons continue to pour into Syria from Iraq but also increasingly along other routes, including Turkey and Lebanon, in violation of a U.N. arms embargo on Iran. Iraqi and Turkish officials denied the allegations.

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Hurriyet Daily News, 14 March 2013, [Iran sends arms to Syria via Turkey, say diplomats](#)

Turkey emerges as true Iraq war victor

In 2012, Turkish exports to Iraq rose to \$10.8 billion, making Iraq Turkey’s second largest export market. *Özgür Altuğ*, an economist at BGC Partners in Istanbul, predicts that as Iraq grows richer because of its oil reserves, demand for Turkish goods will keep climbing — by more than \$2bn a year. In contrast, Ercüment Aksoy, chairman of the Turkish-Iraqi Business Council, argues that there will be fewer exports in coming years as Iraq stabilizes and other countries trade more with Iraq. Most of Turkey’s exports go to the Kurdish North of Iraq. Tensions between Ankara and Baghdad continue to rise as Turkey trades more with Iraqi Kurdistan.

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CNN, 13 March 2013, [Turkey emerges as true Iraq war victor](#)

### **Turkey rejects Syria accusation for possible chemical attack**

Turkish Prime Minister Recep Tayyip Erdoğan rejected an accusation from Syria on Tuesday that Turkey bore responsibility for a possible chemical attack in the northern province of Aleppo. “Turkey has never been in a situation in which it used chemical weapons. There are no chemical weapons in our inventory,” Erdoğan told reporters.

Syrian Information Minister Omran al-Zoabi said earlier that Turkey and Qatar, which have supported rebels fighting President Bashar al-Assad, bore “legal, moral and political responsibility” for the attack, state television reported.

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Reuters, 19 March 2013, [Turkey rejects Syria accusation for possible chemical attack](#)

Iraq official fears split as Kurdish-Turkey oil trade grows

Rising oil trade between Iraqi Kurdistan and Turkey threatens to split Iraq in two, a senior Iraqi official said, as the autonomous region ignores Baghdad’s threats of tough action against what it terms illegal exports. “If oil from Kurdistan goes through Turkey directly, that will be like dividing Iraq. This is our big concern,” Iraq’s Deputy National Security Adviser Safa al-Sheikh Hussein said on the sidelines of an Iraq conference.

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Reuters, 19 March 2013, [Iraq official fears split as Kurdish-Turkey oil trade grows](#)

### **Turkey main staging point for illicit goods: Europol report**

Turkey is the main staging point for illicit goods and irregular migrants travelling to the EU from parts of Asia, a new report by Europol, European Union’s law enforcement agency, said March 19. The agency warned that Turkey’s borders with the EU remain vulnerable despite intense law enforcement focus.

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Hurriyet Daily News, 21 March 2013, [Turkey main staging point for illicit goods: Europol report](#)

U.S. and Turkey discuss Iraq, Syria over the weekend

U.S. Secretary of State John Kerry and Turkish Foreign Minister Ahmet Davutoğlu discussed the situation in Iraq and Syria during a March 30 phone call. On Syria, the discussion centered on the measures to be taken regarding a warning by U.N. Secretary-General Ban Ki-moon regarding the Syrian government’s use of Scud missiles against rebel forces in populated areas and the possible use of chemical weapons in President Bashar al-Assad’s arsenal.

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Hurriyet Daily News, 1 April 2013, [U.S. and Turkey discuss Iraq, Syria over the weekend](#)

### **Turkey denies mass deportation of Syrian refugees**

Turkey denied on Thursday it had rounded up and deported hundreds of Syrian refugees following unrest at a border camp, highlighting the strain the exodus from Syria’s civil war is placing on neighboring states.

Witnesses said hundreds of Syrians were bussed to the border after March 27 clashes in which refugees near the Turkish town of Akçakale threw rocks at military police. One official at the

camp said 600-700 people had been deported including those identified from security camera footage as being involved in the violence, along with their families. “Deportations to Syria would be, if they occurred, against the principles of international law. So we are very much hoping this didn’t occur,” said Melissa Fleming, chief spokeswoman of the U.N. High Commissioner for Refugees (UNHCR).

Turkey changed its stance on Thursday, saying that the refugees would not be deported but had agreed to leave voluntarily after having been told that they would face prosecution if they stayed. The Foreign Ministry, in a statement, said the group of refugees “wanted to use the right to voluntary return, and left for Syria.”

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Reuters, 28 March 2013, [Turkey denies mass deportation of Syrian refugees](#)

New York Times, 28 March 2013, [Turkey and Israel feel the effects as Syria’s civil war fuels tension at borders](#)

Turkey, Azerbaijan and Georgia sign cooperation deal

The foreign ministers of Turkey, Azerbaijan and Georgia convened for a tripartite meeting on March 29 to discuss bilateral ties and regional cooperation in the Georgian port city of Batumi. Turkish Foreign Minister Ahmet Davutoğlu and his Azeri counterpart Elmar Mammadyarov and Georgian counterpart Maia Panjikidze signed a cooperation deal aimed at enhancing the existing mutual trust and cooperation. Speaking at a press conference following the trilateral meeting, Davutoğlu said that strengthening of relations between the three countries will be a boost to the stability of the region. Underlining the importance of Baku-Tbilis-Ceyhan oil pipeline, Baku-Tbilis-Erzurum natural gas pipeline and Baku-Tbilis-Kars railway projects in fields of energy and transportation, Davutoğlu noted that the cooperation deal would not only strengthen the relations among the three countries, but also ensure the establishment of an area of welfare in the region in line with its main objective.

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Turkish Press Review, 29 March 2013, [Turkey, Azerbaijan and Georgia sign cooperation deal](#)

### **Hagel expresses admiration for Turkey and Atatürk**

U.S. Defense Secretary Chuck Hagel expressed on March 29 that he admired Mustafa Kemal Atatürk, the founder of the Republic of Turkey, and the Turkish people and state in his first press conference in the Pentagon. “Atatürk has done something that was very significant that has had a very important sustaining legacy in the world. And sometimes we – we in the West don’t fully appreciate what Atatürk did,” said Hagel. Stating that the recent rapprochement between Turkey and Israel is critically important to the region, Hagel said that this would affect Syria, as well as the results in the region.

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Turkish Press Review, 29 March 2013, [Hagel expresses admiration for Turkey and Ataturk](#)

Department of Defense, 28 March 2013, [News Transcript: DOD news briefing with Secretary Hagel and Gen. Dempsey from the Pentagon](#)

ECONOMY / ENERGY

Turkey's growth slows sharply

Turkey's rate of economic growth slowed sharply to 2.2% in 2012, the Turkish statistics agency said, as weak domestic demand and spillover from the European debt crisis took its toll after two years of rapid expansion. Turkey's gross domestic product expanded just 1.4% in the fourth quarter.

The steep drop in economic activity was largely engineered by Turkey's central bank, which dramatically tightened policy after Turkey's expansion averaging 9% in 2010-2011 spurred investor fears that the economy was overheating. Some ministers in Turkey's government, however, have accused central bank Gov. Erdem Başçı of grinding domestic demand to a halt and choking growth with a policy out of step with global risk appetite.

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Bloomberg, 27 March 2013, [Çağlayan says crisis is Turkey's chance to close development gap](#)  
Wall Street Journal, 1 April 1 2013, [Turkey's growth slows sharply](#)

### **Standard & Poor's upgrades Turkey**

Standard & Poor's has raised Turkey's sovereign debt rating by one notch to "BB+". It puts the country on a rating just one step below investment grade meaning it is gradually becoming an attractive investment prospect. The upgrade is said to be due to improved exports and Ankara's progress in a peace process with Kurdish militants.

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Euronews, 28 March 2013, [Standard & Poor's upgrades Turkey](#)
Turkish Press Review, 29 March 2013, [Babacan, Caglayan evaluate S&P upgrade in Turkey's credit rating](#)

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### **Turkey's unemployment falls below Eurozone**

Turkey's jobless rate fell to 9.2 percent in 2012, according to TUIK, the state-run statistics institute. The figures were lowest since 2005. In contrast, the unemployment rate in the eurozone has reached 11.8 percent. The unemployment rate in Turkey was lower than 10 out of 17 eurozone states.

However, according to United Nations Gender Thematic Group Chair in Turkey and United Nations Population Fund representative for Turkey, Zahidul Huque, the labor force participation

rate for women, which was 40 percent in 2000, decreased to 27 percent in 2012 and in early 2013 has been less than 30 percent. The 10 percent decrease may be a result of a lack of child care facilities and an inability to engage women in the labor force, particularly in the upper class, non-agricultural sectors, according to Huque.

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Hurriyet Daily News, 6 March 2013, [Turkey's unemployment falls below Europeans'](#)

Hurriyet Daily News, 8 March 2013, [Fewer women employed in Turkey: UN official](#)

Turkey's current account deficit shrinks slightly

Turkey's current account deficit narrowed by 2 percent in January compared to same month in the previous year, falling to the lowest level in 26 months, according to recently revealed data by Turkey's Central Bank. Turkey's current account deficit narrowed to \$5.63 billion in January from \$5.73 billion a year ago. "The main reason behind the good current account deficit performance in January is an increase in our goods and service exports," Turkey's Economy Minister Zafer Çağlayan said.

Meanwhile, foreign direct investment to Turkey decreased in 2012, which was not expected.

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Hurriyet Daily News, 12 March 2013, [Turkey's current account deficit shrinks slightly](#)

Financial Times, 12 March 2013, [Turkey current account: a little lacking in the FDI department](#)

### **Turkey-Iran gold-for-gas hits \$120 million in a month**

Turkey exported almost \$120 million worth of gold to Iran in February, suggesting the two countries' trade of gold for natural gas has resumed despite tighter U.S. sanctions, though at levels below last year's peaks. Turkey sold no gold to Iran in January, according to data from the Turkish Statistics Institute (TUIK), as banks and dealers eyed the Feb. 6 implementation of U.S. sanctions that tightened control over precious metal sales. The United States has given Turkey a six-month waiver exempting it from sanctions on trade with Iran, which is due to expire in July, but banks and dealers still have been cautious. Meanwhile, exports to the United Arab Emirates, which has served in the past as a transit route to Tehran, rose to \$402.3 million from \$371 million in January, TUIK data showed.

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Hurriyet Daily News, 1 April 2013, [Turkey-Iran gold-for-gas hits \\$120 million in a month](#)

Investment grade prospects fading for Turkey?

In recent weeks, confidence over ratings upgrades in Turkey has been replaced by uncertainty. After Fitch Ratings awarded Turkey its first investment grade credit rating for nearly two decades, expectations were high for others to follow. However, as Turkey's economy has picked up since January following a sharp slowdown last year, ratings firms have again highlighted the resurgent risk of Turkey's key economic weakness: an expanding current-account deficit. Fitch

Ratings said on Thursday that although economic developments in Turkey have been favorable since they awarded Ankara an upgrade, the economy would remain “volatile” and “vulnerable to shocks.”

In the meantime, the lira’s drop over the past month is fueling speculation the Central Bank will revert to focusing on inflation instead of the currency, reducing chances of an interest-rate cut that would support bonds.

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Bloomberg, 6 March 2013, [Lira sliding to rescue shifts Başçı’s rates focus: Turkey credit](#)

Bloomberg, 7 March 2013, [Turkey yields drop 3rd day as action on loans seen deferred](#)

Wall Street Journal, 11 March 2013, [Investment grade prospects fading for Turkey?](#)

### **France steps into ring to build Turkey’s second nuclear plant**

French company GDF Suez has officially placed a joint bid with Japanese companies Itochu and Mitsubishi to construct Turkey’s second nuclear power plant, which is expected to cost around \$25 billion and is slated to be built in the Black Sea province of Sinop.

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Hurriyet Daily News, 5 March 2013, [France steps into ring to build Turkey’s second nuclear plant](#)

Turkey’s central bank reverts to old playbook

Turkish bank lending growth has surged to a one-year high of 24% as of March 15 from 16.5% in the beginning of the year, according to central bank data. This helps drive a pickup in Turkey’s economic growth from growth of 3% last year, a significant slowdown after two years of rapid expansion averaging 9%. Data showed that the healthy rise in consumer credit so far this year is helping boost loan growth, despite official efforts to skew the expansion toward more stable commercial lending.

As growth in Turkey’s \$800 billion economy accelerates, central bank governor Erdem Başçı is trying to keep interest rates low while raising reserve requirements to prevent excessive consumer lending, a policy he tried in 2010-2011.

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Wall Street Journal, 25 March 2013, [Turkey’s central bank reverts to old playbook](#)

### **Israel and Turkey explore energy ties**

Israel’s apology to Turkey over a deadly 2010 raid will boost cooperation over Syria’s civil war, but it also has a compelling economic incentive: the possible export of billions of dollars of Israeli natural gas to Turkey and beyond, say analysts and officials.

Quiet contacts between Israel and Turkey over gas cooperation have been going on in recent months, but both sides knew nothing could progress before the dispute over the raid was resolved, said Alon Liel, a former Israeli envoy to Turkey with knowledge of the talks.

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Wall Street Journal, 26 March 2013, [Israel and Turkey explore energy ties](#)

New York Times, 27 March 2013, [For Cyprus, a sudden need to play nice with Turkey](#)

Hurriyet Daily News, 1 April 2013, [U.S. and Turkey discuss Iraq, Syria over the weekend](#)