



Rising power, growing questions

The Erdogan era has brought prosperity but there are calls for the political system to be modernised, writes **Daniel Dombey**

On a warm evening in Istanbul, the most powerful man in Turkey's recent history was holding court.

Recep Tayyip Erdogan, prime minister, had come that day from a World Economic Forum meeting at a nearby hotel, where he exulted in the country's achievements under his 10-year rule: average growth of more than 5 per cent a year, a tripling of gross domestic product in dollar terms, increased trade and foreign investment and a rising place in the world.

"The experience we have had is an important example, not just for countries in the region, but for countries in Europe affected by the crisis," he declared.

The contents of his speech were not Mr Erdogan's only show of strength that day; so too were the circumstances in which it took place.

Having sworn in 2009 that he would never return to Davos, after a dispute with Shimon Peres, Israel's president, in the Swiss mountain retreat that year, Mr Erdogan had instead made Davos come to him.

Now, he was greeting forum delegates in the grounds of the Dolmabahçe Palace, Turkey's Versailles on the Bosphorus, where 19th century Ottoman sultans lived and Mustafa Kemal Atatürk, the founder of the Turkish republic, died.

Standing in the courtyard before the palace's great gardens, as an Ottoman-outfitted troupe blared its horns and banged its drums, a rapt Mr Erdogan was in his element, just as he is when addressing football stadiums full



Erdogan: great political skill has meant he has dominated Turkey's political life, perhaps as no other leader has done since Atatürk AFP/Getty

of supporters, as he has done several times in recent weeks.

It is not just that the prime minister is comfortable in contrasting settings; Mr Erdogan, a man of great political skill, dominates as perhaps no other leader has done since Atatürk.

Indeed, one of the biggest issues facing the country – perhaps the biggest – is how long

and to what its extent, its history will be tied to that of its leader.

So far, the story of Turkey under Mr Erdogan is that of a democratically elected government that has asserted itself since its initial victory in 2002, breaking free from outside influences that had overshadowed and constrained its predecessors.

Those influences include the country's once coup-prone, now humbled, military, the generals' allies in the judiciary, who came close to banning Mr Erdogan's AKP (Justice and Development Party) as recently as 2008, the big business and media barons of Istanbul and even the International Monetary Fund and the EU, whose sway over Turkey is

much diminished. Once a cash-strapped supplicant to join the EU, Turkey looks on the eurozone's travails with more than a touch of Schadenfreude, while membership negotiations have long since been stalled.

Sometimes it seems as if the main challenge to Mr Erdogan's authority is the network of supporters of Fethullah Gülen, an

Islamic scholar self-exiled to Pennsylvania. Detractors say Mr Gülen's followers have extensive influence in the police and prosecutors service and link them to an attempt this year to haul a trusted confidant of Mr Erdogan's to court. Mr Gülen's supporters deny all such allegations.

In any case, whoever was behind the power play, it failed: the court's action was stymied by a law rushed through parliament and hundreds of police and prosecutors were subsequently moved from their jobs.

In a landscape in which the prime minister stands all but alone, the next stage of Turkey's story is of peculiar significance.

For Turkey is not just a country of dynamic entrepreneurs, with a popular government and a growing voice in the world. It is also a country where defendants in high-profile trials complain of fabricated evidence and where judges hand down stiff jail sentences for students unfurling banners demanding free education.

Sinan Ulgen, a visiting scholar at Carnegie Europe, says: "As the country has moved away from military tutelage, it has failed to strengthen the democratic institutions that provide checks and balances."

He adds that recent initiatives by Mr Erdogan – such as redrawing the education system to give more space to religious schools – are part of a trend in which big changes have been rammed through, increasing divisions in an already polarised society.

A central problem, both supporters and opponents of the government say, is the country's current constitution, an authoritarian document dating from 1982, when the generals still ruled the land, that privileges state rights over individual rights.

Turkey's main political

Inside this issue

Investing A tale of two banks shows that more reform is needed to attract long-term money **Page 2**

Market view The economy is booming, but room for manoeuvre is limited and dependence on European banks brings dangers **Page 2**

Politics It could be a long hot summer as Cyprus takes over the EU presidency and the debate over Kurdish rights simmers **Page 2**

Opinion The film Conquest 1453 has broken box office records, capturing a growing mood and recalling Turkey's Ottoman past **Page 3**

Syria Former best friend Bashar al-Assad has presented Turkey with its biggest foreign policy dilemma **Page 3**

Energy policy Economic growth is sucking in imports, making the use of local resources a top priority **Page 4**

Pegasus Airlines The low cost carrier run by Ali Sabancı has been a big beneficiary of airline liberalisation **Page 4**

Continued on Page 2

Ambitions threatened by problems in own backyard



Gideon Rachman

Turkey, in the era of Recep Tayyip Erdogan, is playing a regional and global role that has filled its leaders with pride and ambition.

The country's record of economic and political success has greatly added to its prestige and power. Some around Mr Erdogan have even spoken of a "new Ottomanism", that would see the country re-emerging as a dominant force in its region.

But the Arab Spring and, specifically, the uprising in Syria have risked exposing Turkey's claim to a unique influence in its region. Turkish diplomacy, which a couple of years ago seemed to be sweeping all before it, now risks looking naive and ineffectual.

Yet, even through the flaws to the Erdogan approach to the world are now emerging, the prime minister can justly point to a transformation in the country's international image in recent years.

In the decades before the Erdogan era, foreign policy was one-dimensional. Following in the tradition of Atatürk, the country was determined to look west. Its self-imposed mission was to join the EU.

Unfortunately in recent years, it has become painfully clear that – whatever the official position – the EU does not really want Turkey inside the club. Turkey risked being put in the humiliating position of a spurned suitor, with no proper alternatives.

Mr Erdogan and his AKP party were, however, perfectly placed to respond to rejection from Europe. As a party with Islamist roots, that is in a state of semi-conflict with Turkey's secular elite, the AKP was happy to develop relations with the Middle East.

At a time when the Gulf

was booming and the Brics were trendy – and with Europe in a slump – a Turkish foreign policy that looked east, as much as west, made both political and economic sense.

Better still, the country's efforts to burnish its role in the Muslim world enhanced its prestige in Washington.

At a time when the Obama administration was desperate to build better relations with the Muslim world, Turkey was seized upon as an example of a country that is governed by a mildly Islamist party – but which maintains a democratic system, a secular constitution, a successful economy and a foreign policy that is friendly to the west.

As they say in America, what's not to like?

As it happens, many Americans and Europeans have become uneasy with the direction of Turkey in the Erdogan era.

Its efforts to co-broker a nuclear deal with Iran were regarded as distinctly "unhelpful" by Washington, at a time when the US was leading an effort to ramp up sanctions on Iran.

A serious deterioration in the relationship with Israel has also lost Turkey many friends on Capitol Hill, even as it burnished Mr Erdogan's credentials as a popular figure in the Muslim world.

As Turkey has lost friends in the west, so its democratic credentials have come under closer

scrutiny. A wide-ranging inquiry into an alleged plot to stage a military coup has involved the administrative detention of scores of suspects, many of whom have been awaiting trial for years.

It is commonly pointed out that there are more journalists in prison in Turkey than in China.

Yet, despite these problems, Mr Erdogan has continued to enjoy an excellent relationship with Mr Obama, who reportedly sees his Turkish colleague as a valued interlocutor.

The real difficulties with the Erdogan approach to

There is little sense that an awakened Arab world is looking at Turkey as a regional leader

the world have arisen closer to home.

The single slogan that summed up Turkey's new approach was provided by the country's hyperactive foreign minister, Ahmet Davutoglu, who coined the phrase "zero problems with the neighbours".

Given that Turkey's neighbours and near-neighbours include Iran, Syria, Iraq and Russia, this policy was more controversial and less bland than it sounded.

Mr Davutoglu was speaking about more than mere conflict-avoidance. He believes that Turkey's rich cultural inheritance and network of economic ties should allow the country to operate with ease and understanding in a range of countries.

The Turkish foreign minister has also claimed that his country has a "unique understanding of the Middle East". It was all the more awkward, therefore, that Turkey seemed nearly as wrongfooted by the Arab Spring as the European Union or the US.

Mr Erdogan did side fairly swiftly with the demonstrators in Tahrir

Square. But he initially opposed the Nato intervention in Libya – only later attempting a victory lap in Tripoli, after the Gaddafi regime had been deposed.

Although many Arab intellectuals and members of the Muslim Brotherhood have looked with great interest at the Turkish model, there is little sense that an awakened Arab world is looking at Turkey as a regional leader.

Old antagonisms between Turks and Arabs – colonisers and the colonised – are probably too deep for that to happen.

The Syrian conflict has been particularly difficult for Turkey. As part of the "zero problems" policy, Mr Erdogan had cultivated a special relationship with Bashar al-Assad.

Now, in common with many Turks, he is aghast at events in Syria and has cut the Assad regime loose.

But Turkey seems uncertain about how to respond and has failed to play a galvanising role in the international response – exposing its pretensions to be a regional leader.

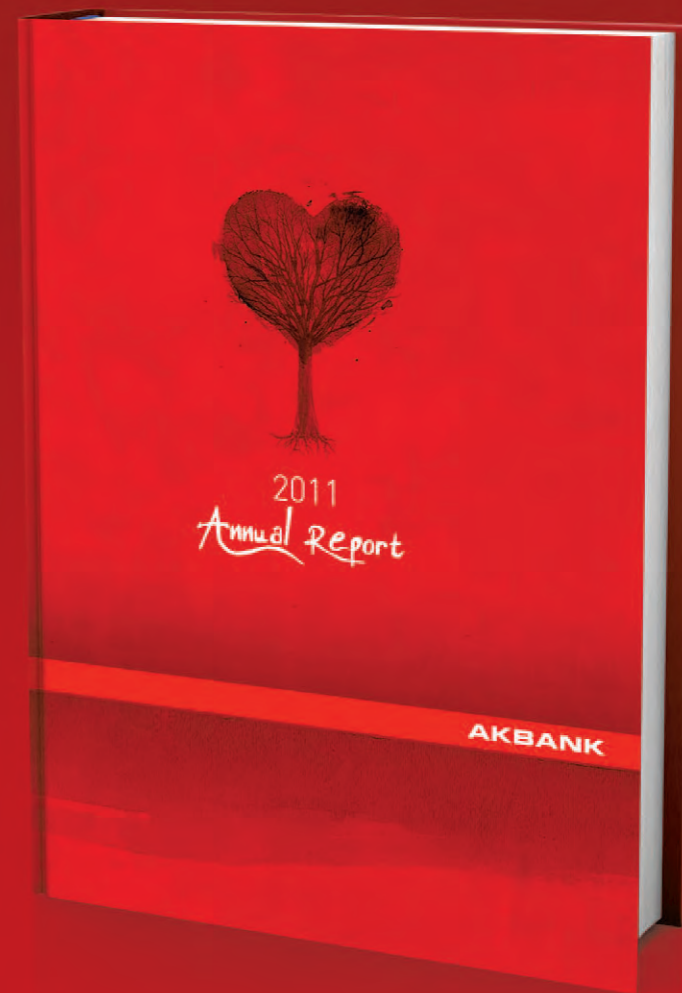
The aspiration to have "zero problems" with neighbours has now been displaced by a real world in which Turkey in fact has awkward relations with most of its neighbours: Iraq, Iran, Syria and Israel – foremost among them.

This has left Turkey feeling exposed and anxious that regional antagonists may stir up internal strife, particularly with the Kurdish minority. Yet, if this collision with reality introduces a little more humility into Turkish foreign policy, that may be no bad thing.

There is no doubt that Turkey has made big strides on the global stage in the Erdogan era. There was always a risk, given the personality of Mr Erdogan himself, that this pride would lead to a fall.

If Turkey gets away instead with a couple of stumbles – and learns to tread more carefully – the country's forward march can continue.

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Atatürk: looked west

Lessons from Ottoman past risk falling on deaf ears

Guest Column

ANDREW FINKEL

It was certainly a sword-and-spear spectacular – replete with cauldrons of molten pitch and computer-enhanced biceps – but was it also an allegorical tale of eurozone decline? Either way, the Turkish film to break box office records this year was *Conquest 1453* – a lavish recreation of the 15th century siege of Constantinople.

It is a story of virtue triumphant. The Ottoman armies pray and sharpen their blades. The Byzantines do not argue over point spread and sovereign debt, but they do spend a lot of time scheming and watching dancing girls. And by the final credits, the true grit of Turkey's imperial forebears triumphs over European decadence and fatigue.

To the cinema-going cohorts, *Conquest* captured a growing mood that Turkey no longer needs to cling to the coat-tails of its western allies. Instead, the country is surging ahead under its own steam helped by the current of an illustrious past.

Seated centre-screen, metaphorical popcorn in hand, is the country's foreign minister, Ahmet Davutoglu. He is a diminutive man with a scholarly turn of phrase and is an unlikely figure, in the brutal rough and tumble of Turkish politics, to rally the troops.

He is also the author of a book that translates as *Strategic Depth*, which has become the *vade mecum* of the Justice and Development (AK) Party government's foreign policy. In the book, he tries to make the case that Turkey should no longer be the handmaiden of someone else's world vision but the master of its own.

Prof Davutoglu in effect argues that Turkey is able to exercise soft power in its region because of the very qualities the founders of the



Heritage as blockbuster: cinema-goers in Ankara queue to buy tickets for 'Conquest 1453'

Getty

Turkish Republic in 1923 tried to cast aside. The nation's first president, Mustafa Kemal Atatürk, famously tried to draw a line under a stale and unprofitable historical legacy in order to play catch-up with the west. And while the AKP would never cast aspersions on Atatürk's legacy, it does suggest it is time to move on.

Prof Davutoglu is certainly not the first Turkish politician to identify with the Ottoman past. Even the

military when in power after the 1980 coup tried to instil a national identity melded from the more radical ideologies of right and left with what was called at the time the "Turkish-Islamic synthesis".

Nor will today's foreign ministry admit that Turkey is trying to establish a *Pax Ottomanica* or neo-Ottoman revival in its broader neighbourhood, which is riven with ethnic and sectarian disputes. Yet the AKP does assert that

Turkey will enter the ranks of the top 10 economies by 2023. Its undeclared plan is to conduct centennial celebrations in 2023 with the current prime minister, Recep Tayyip Erdogan, completing a second five-year term as president.

Its confidence is reinforced by the belief that it exercises soft power in a part of the globe where it has a cultural affinity based on a shared Ottoman past and common Islamic heritage. And it is this ability to

negotiate its way in a difficult part of the world that Ankara markets to its Nato allies.

Just as *Conquest* appeals almost exclusively to a domestic audience, the story of a looming Turkish century does not always go down well abroad. Foreign diplomats readily acknowledge that Ankara is now an important actor in a string of hotspots, from Pristina to Kabul.

However, with the Arab uprising turning into a season of attrition,

Turkey is discovering the limits to its reach.

The slow and painful implosion in Syria has exacerbated relations with neighbours Iran and Iraq.

If anything, Ankara's new best friend is Washington, as it seeks an active ally in the region. However, when under attack by the parliamentary opposition, Prof Davutoglu's confidence in the new Turkey did not bend.

The era of "wait-and-see", when Turkey would be swept along in the wake of great power politics and other people's policies was at an end, he told parliament last April.

"A new Middle East is about to be born. We will be the owner, pioneer and the servant of this new Middle East," the foreign minister said.

The history lesson Professor Davutoglu may be most eager to teach is the one that makes his compatriots feel good about themselves, but it is not always an easy message to convey.

A sad example is the effort of London's Victoria and Albert Museum to do Turkey's public relations for it and stage a blockbuster exhibition on the Ottoman Empire.

Those plans are now on hold. The reason is that Turkey's ministry for culture and tourism is determined to retrieve a stone head of Eros from a third century BC sarcophagus to which it believes Turkey has title. The V&A says it owns the object legitimately, but is prepared to consider a long-term loan.

In retaliation, the Turkish ministry is refusing to co-operate on loans to the larger exhibition.

The danger is that in its efforts to play a greater role on the global stage, Turkey will instead become more inward-looking.

Andrew Finkel is the author of *Turkey: What Everyone Needs to Know*, published by Oxford University Press

Best of friends becomes neighbour from hell

Syria

Ankara is desperate to be rid of its former ally Bashar al-Assad but direct intervention would be too risky, says Daniel Dombey

On the outskirts of the Turkish town of Antakya, known in biblical times as Antioch, a group of rebel Syrian officers meets to plan the next step in its daunting campaign.

Fiddling with communications equipment in their redoubt 30km from the Syrian border, the soldiers – all members of the Free Syrian Army – argue that only force can push President Bashar al-Assad from power and bring the bloody crisis to an end.

"It has been more than a year now," exclaims Captain Ammar al-Wawi, a former rebel commander in the Idlib area who serves as secretary of the FSA's military committee. "All the political approaches have been tested and none has produced any result."

The other FSA officers sitting around him nod their agreement, but in Ankara, despite the avowed desire of Recep Tayyip



Defiant wave: Syrian refugees in Antakya

Getty

Erdogan, the prime minister, to see the back of Mr Assad, the message is very different – at least, in public. The use of force is not on the table.

Syria represents Turkey's biggest foreign policy dilemma, even as Ankara seeks to play a leading role in a Middle East in the throes of change.

Mr Erdogan feels betrayed by Mr Assad, to whom he was once exceptionally close. He has been unable to persuade the Syrian leader to embrace reform, and has since compared his former friend to Adolf Hitler and Muammar Gaddafi.

Ahmet Davutoglu, Turkey's foreign minister, said recently of Mr Assad: "He was a kind of guarantor of stability for us but now he is the opposite – he and his regime are the main cause of instability in Syria."

But Turkey has no desire to be sucked into a war with Damascus that it would have to fight alone; it does not want the US to offload the Syria problem for Ankara to deal with; and, with more than 900km of shared border, it is all too aware of its own vulnerabilities.

Cengiz Candar, a prominent Turkish analyst of the Middle East, says: "Unless the US changes its position, Turkey has reached [the limit of] its capacity to act." Although Ankara fulminates against Mr Assad and hosts nearly 30,000 refugees, as well as Syria's political and military opposition, it wants to stop things spiralling out of control.

Hence the suggestions – increasingly heard from foreign diplomats and Syrian activists – that Turkey is operating several policies on Syria at the same time, some concealed within others, like Russian dolls.

Most visible among these are the country's call for the UN to act against Mr Assad and its effort to unite the fractious Syrian opposi-

tion, much of which is based in Istanbul.

Less obviously, Turkey is taking steps that could reduce the risk of border incidents – and prepare the way for refugees to remain on its soil long-term.

While refugee camps in the Turkish province of Hatay harbour men who say they sometimes cross over to Syria to fight the regime, Ankara is emptying such outposts and moving their inhabitants to sturdier camps on a less porous part of the border.

Then there is the question of arms; the demand for weapons is voiced not only by the FSA officials in Antakya, but almost uniformly by refugees throughout the camps in Turkey.

Saudi Arabia and Qatar have both announced plans to arm rebels in Syria. Turkey has denied reports that it has helped arms shipments reach the border. But some foreign diplomats suspect that Turkey has shifted from a "blind eye" policy towards arms shipments to a policy of more active assistance.

Possible factors are Ankara's desire to avoid any build-up of arms in its own violent south-east, and its preference for any weapons that reach Syria to end up with groups such as the Muslim Brotherhood rather than with more Salafist organisations of the sort favoured by Riyadh.

Any direct intervention in Syria could be risky for Ankara – not least because Damascus could play the "PKK card", allowing the Kurdish militants of the Kurdistan Workers party, or PKK, to attack Turkey from Syrian territory. Turkey, the EU and the US all classify the PKK as a terrorist organisation.

Meanwhile, officials in Ankara, and even many of the Syrian refugees, express doubts about the fighting abilities of the FSA officials and their chances of prevailing against Mr Assad.

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Turkey

Businesses rebalance away from Europe

Trade and tourism
Russia and Middle East are the target markets, writes David O'Byrne

There are, as the saying goes, lies, damned lies and statistics. In the case of Turkey's export figures, though, statistics tell a very clear story – and it is much the same in tourism, too.

The importance of the country's traditional European export markets has been falling, with exporters increasingly targeting markets in the Middle East, Africa and the countries of the former Soviet Union.

As recently as a decade ago, 60 per cent of Turkish exports went to European markets, but by last year that had dropped to 48 per cent, while over the first five months of this year the figure was just 41 per cent.

Clearly, much of the drop can be attributed to the turmoil in the eurozone and its effects on demand for items such as Turkish-made vehicles and white goods.

Turkey's Automotive Manufacturers Association, for example, reported exports down 5.5 per cent over the first five months of the year.

Equally, though, in the first five months of this year, overall exports rose 10.31 per cent year-on-year to \$59.8bn, making it clear that Turkish exporters are finding fresh markets – a process that has been part of a deliberate strategy.

Egemen Bagis, Turkey's minister for EU affairs, said recently: "We need to diversify our markets. A decade

ago, we had only four embassies in Africa; now we have 14, with more coming."

While the success in finding new markets has been widely praised by economists, few believe that these can ever usurp the importance of the EU.

Inan Demir, chief economist at Turkey's Finansbank, says: "They have done a good job in very difficult conditions. Year-on-year growth in exports to some Mena [Middle East and north Africa] markets has been triple-digit." But this was from a relatively low base.

"Over time, the Mena will become more important, but it can't replace Europe – exports to the EU will pick up," he adds, echoing official expectations.

Mr Bagis comments: "Just because we are reaching out to new markets doesn't mean we have to abandon our 52-year-old

'A decade ago, we had only four embassies in Africa. Now, we have 14'

determination to be part of Europe. Despite the economic difficulties in Europe, it is still the most prosperous region. No crisis lasts for ever."

As with exports, so with tourism. The past decade has seen arrivals almost treble from 11.7m in 2001 to 31.5m in 2011, when tourism revenue topped \$23bn.

With arrivals for 2012 up 5 per cent in the first quarter and Ertugrul Gunay, the minister of culture and tourism, predicting 33m arrivals this year and revenues of more than \$25bn, clearly there is still room



A home from home: the World of Wonders Kremlin Palace resort in Antalya

for growth.

More importantly, however, growth to date has been enhanced by a concerted effort at attracting visitors from markets other than Turkey's traditional western European catchment area.

While visitor numbers from the 27 EU countries plus Norway and Switzerland more than doubled from 7.61m in 2001 to 17.7m last year, arrivals from the Mena and Iran rose 400 per cent from 1.1m to 4.4m and those from the former Soviet Union rose nearly fivefold from 1.4m to 6.7m – with half of those coming from Russia.

Clearly, Europe is set to remain the key market for Turkish tourism for some time, but diversification into new markets is offering a valuable bulwark against uncertainty in the eurozone.

According to Mr Demir, the effects of the eurozone problems on Turkish tourism are difficult to quantify.

"But if Greece leaves the euro, it will become a lot cheaper," he says, pointing out that this could attract a substantial number of low-end package tourists away from Turkey.

As with the mainstay western tourists who want to enjoy sun, sea and sand

in their own language and with their own food, so, too, Russian tourists are looking for a home from home on the Turkish coast.

Significant investments, such as the MNG group's World of Wonders Kremlin Palace resort in Antalya, offer just that – complete with accommodation in scale models of its Moscow namesake and other landmark Russian buildings.

For Mena and Iranian tourists, by contrast, it is the shopping malls of Istanbul that are the attraction.

Greater promotion of tax-free shopping and the

launch of the annual Istanbul Shopping Festival helped to boost visitor numbers to 10.1m last year and tourism revenues from the city alone to \$8.8bn.

This has been enough to make Istanbul the fifth most popular city destination in Europe, with the results clearly visible in the city's air-conditioned malls, where Arabic and Farsi can be heard almost as much as Turkish.

Not a bad result, given the regional upheavals of the Arab uprising, which forced many potential visitors to stay at home.

Company Profile Pegasus Airlines

Ali Sabanci loves the gleaming Honda motorbike he has parked inside his office: it is a 40th birthday gift that adds a touch of excitement to its businesslike surroundings.

But he gets even greater pleasure from running Pegasus Airlines, Turkey's largest private operator.

"If you put me in charge of a tea business with a \$5bn turnover, it would not be as exciting as a \$1bn airline. You change people's lives," says Mr Sabanci.

And Pegasus has certainly brought its chairman plenty of thrills: developing since its launch in 2006 into a carrier with 42 aircraft and 52 destinations.

Mr Sabanci is a man in a hurry. Born into one of Turkey's leading business families, he left his executive suite in Sabanci Holding, the family-controlled conglomerate, in 2004 in search of greater entrepreneurial freedom, switching to Esas Holding, a diversified investment company founded by his father, Sevket Sabanci.

Ali Sabanci immediately set to work on Pegasus, planning to take advantage of a 2003 government decision to liberalise domestic air travel and end the near-monopoly of Turkish Airlines, the long-established state-run carrier.

The government had wanted to privatise Turkish Airlines. But when this proposal failed, Binali Yildirim, the enterprising transport minister, pushed through airline liberalisation, arguing that while the state-owned carrier would be squeezed, the government would profit from the extra taxes generated by the rise in air travel.

Mr Sabanci says the minister has been proved right. VAT income from air travel has risen four or five times, as the number of passenger trips has soared on domestic and international flights.

This travel has in turn generated more commerce and more tourism in Turkey, including in regions remote from Istanbul and Ankara.

Mr Sabanci says: "75m people have woken up to low-cost flying... People could not afford to fly before. Now, they will never go back to the bus."

While about 25 airlines were launched in the initial rush of enthusiasm for the new

market, their numbers were quickly whittled down through competition.

Along the way, Esas took a 16.5 per cent stake in Air Berlin, Germany's second-largest carrier. Esas says it invested because "we believe European aviation is in a constant state of reorganisation... As one of the major players in Europe, Air Berlin is a very interesting mid to long term investment for us."

According to Mr Sabanci, Pegasus is today the clear leader among the private operators, with a share of the domestic market of 24 per cent, about the same as the next four airlines put together. Turkish Airlines remains dominant, but it has dropped to 50 per cent of the market.

He says domestic passenger numbers in Turkey have grown at a compound annual rate of 41 per cent since 2005 and international passengers by 26 per cent.

All this translates into growing revenues for Pegasus, which last year saw turnover rise 27 per cent to €629m, with a further increase to €709m budgeted for 2012. Profit before interest, depreciation and tax (ebitda) is expected to rise from €82.9m to €108.7m.

Mr Sabanci says that if Turkey is to fulfil its economic potential, flights to export markets in Russia and central Asia must be liberalised.

Today, a flight from Istanbul or Ankara to the UK costs about \$150 and to Baku, the capital of nearby Azerbaijan, \$350.

Stefan Wagstyl

This article was first published on FT.com's beyondbrics blog

Flying high: revenues are rising fast at the airline



Growth fuels demand but sucks in imports

Energy
Policy is to diversify mix of sources, says Dan Dombey

A handful of facts helps to explain why energy is such an important issue in Turkey and how it affects Ankara's place in the world.

First, the country has few hydrocarbon resources of its own, although many neighbouring countries do. Moreover, the country's recent economic growth means demand continues to increase inexorably.

To give a sense of the numbers, last year, Turkey's energy import bill reached \$54bn, about 40 per cent more than in 2010. If oil prices rise this year, Ankara has said, total energy imports could soar further, to some \$65bn.

That is about the size of the country's expected current account deficit for the year – and the current account deficit, largely financed by short-term capital, is routinely cited by ministers and analysts as the country's biggest economic problem.

Taner Yildiz, Turkey's energy minister, told the Financial Times in an interview: "All these imported primary energy sources, such as natural gas and oil, should be replaced by local resources as much as possible."

The country is pushing ahead with controversial plans for coal-fired plants and nuclear reactors, entrusting Russia with one nuclear project and setting up a competition for a second plant between Chinese, Canadian, Japanese and South Korean groups.

Domestically, it is trying to attract more investment in the sector, but the process has been hampered by a combination of the private

sector's overconfidence in potential returns and the impact of the eurozone crisis on the availability of funds. Winning bidders and even runners-up in power and gas distribution tenders have pulled out rather than pay up.

Mr Yildiz says he wishes private bidders would proceed more carefully before tendering, and acknowledges that, in terms of its privatisation plans, the country has fallen a year behind schedule.

"One year is very important for Turkey, which is growing very fast," he says, emphasising Ankara's determination to continue with the privatisation process.

Indeed, in late June the country announced plans to try again with tenders for power grids in Istanbul and



Energy minister Taner Yildiz emphasises privatisation will continue

Izmir; lower down the queue, important tenders for power generation await.

The broader geopolitical reality is that for the foreseeable future Turkey cannot escape energy dependence, but its energy mix is diversifying and, as a result, its strategic role is changing.

After long insisting that it would disregard unilateral sanctions, Ankara has fallen in line with US measures on Iran and reduced oil imports from the Islamic Republic.

As a result, the US this month granted Turkey a 180-day reprieve on possible sanctions, although pressure is likely to return given its reliance on Iranian oil, which accounted for about 50 per cent of its imports of crude for the first half of last year. Meanwhile, Turkey still

relies on natural gas purchases from Iran to offset its dependence on Russia, by far its biggest supplier.

But Turkey's underlying goal is to make itself a transit hub, an indispensable part of the international energy infrastructure, despite its limited own resources.

One part of the puzzle is its proposed partnership with Azerbaijan on the so-called Transanatolian Pipeline, or Tanap, a \$7bn project to bring gas from the Caspian Sea – specifically from Azerbaijan's Shah Deniz field – to Europe.

The proposed pipeline, which would stretch across Turkey's landmass to the border with Bulgaria, looks set to replace EU-backed plans for a much more ambitious, wider, longer pipeline called Nabucco. But Tanap but could still link with a slimmed-down version of Nabucco, called Nabucco West, to take the gas to European markets.

Another development that could reshape the map is Turkey's budding relationship with the Kurdish Regional Government of Northern Iraq, with which Ankara was previously deeply at odds. Given Turkey's energy needs and Northern Iraq's energy resources, Ankara and the regional capital of Irbil are becoming ever closer, discomfiting Baghdad.

"The deepening of energy ties between Northern Iraq and Turkey is part of a big strategic shift," says Matthew Bryza, a former US ambassador to Azerbaijan who now heads the International Centre for Defence Studies, a Tallinn-based think-tank.

"There are two ways for that energy to get out of Iraq – in accordance with Baghdad or not in accordance with Baghdad – but either way, it is going north and Turkey is going to be a hub."

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*According to the 2,136 measurements in 7 region, 9 cities, and 59 points in Turkey carried out by PCNet Magazine between March 30 - April 24, 2012; using Ookla Net Metrics' analysis system; Speedtest.net. Turkey is listed as number one in terms of mobile network coverage according to "The Global Information Technology Report 2010-2011" by Economic Forum and INSEAD. Mobile internet speed and network coverage may vary according to cellular device being used and geographic conditions. Fiber optic internet service is provided by Superonline, a company of Turkcell Group.