

# Rex Tillerson in Turkey: What to expect from the U.S. secretary of state's visit to Ankara



It will be a short meeting with long wish lists and an even longer list of potential consequences.

U.S. Secretary of State Rex Tillerson is in Ankara today for his first official visit with his Turkish counterpart, Mevlut Cavusoglu.

- **U.S. secretary of state says there's 'no space' between Turkey, U.S. in determination to defeat ISIS**

The United States and Turkey, NATO allies, have a long history and an important friendship – but the love is hardly unconditional. This meeting will be one of a series that will help determine the conditions of the relationship in the future. Whether it thrives or dies will have serious implications for both countries.

## What Turkey wants

Turkey has two key asks. One is the return of Ankara's most wanted man: Fethullah Gulen. The other is a plan to fight ISIS that doesn't involve the PYD and YPG – Kurdish groups that the

Turkish government refers to as terrorists.

Raqqa is a key battleground in Syria, and many argue the PYD and YPG are crucial to getting ISIS out of the region. But Turkey is adamant its troops will not be involved if those Kurdish groups are.

Their presence, the Turkish government insists, will change the ethnic makeup of the region and pose a future threat to Turkey.

Turkey's prime minister made a surprise announcement Wednesday night, saying that Operations Euphrates Shield – the major Turkish operation in Syria – was finished. Binali Yildirim told Turkish news network NTV the operation was “successful” and because of it, Turkish troops were able to cleanse the towns of Jarabulus and Al Bab of ISIS.

The timing is interesting, given the Tillerson visit and that Turkish officials have been saying for some time they were planning to move towards Manbij next. That plan is apparently on hold.

Beyond ISIS and some Kurdish groups, the Turkish government also sees a significant threat in Gulen. Though he has lived for years in self-imposed exile in Pennsylvania, Turkey blames the cleric for the failed but deadly coup attempt that stunned Turkey last July.

### **• Who is Fethullah Gulen, the man Erdogan blames for Turkey's coup attempt?**

The Tayyip Erdogan government has labelled Gulen and his supporters FETO – The Fethullah Gulen Terror Organization – and has demanded his extradition. It insists that it has delivered files full of evidence to the U.S. to support the request.

Gulen, a former Erdogan ally turned critic, has denied any

involvement but acknowledged that people sympathetic to his movement may have been among the plotters.

While Turkey is putting a lot of hope in the new Trump administration, it is U.S. courts that will decide if Gulen comes back to Turkey, said Ozgur Unluhisarcikli, the Ankara director of the public policy organization, the German Marshall Fund of the United States.

And those courts, he added, will want proof.

“There’s circumstantial evidence of a Gulenist conspiracy,” he said. “On the other hand, the courts in the United States will look for direct evidence.

“It’s one thing to be persuasive about this issue, but it’s another thing to be able to present direct evidence.”

Extradition cases are usually long, drawn-out affairs, so Gulen’s fate will not be decided in the short time Cavusoglu and Tillerson have to talk. These kinds of cases can take years – not weeks – to be resolved, Unluhisarcikli said.

## **Bizarre developments**

There are allegations that some U.S. officials may have been trying to give Erdogan what he wants – even if it meant breaking the law.

In an interview with the Wall Street Journal, former CIA director James Woolsey said he was privy to a conversation in which former national security adviser Michael Flynn – once a lobbyist paid by the Turkish government – was “brainstorming” with high-level Turkish officials about a potential “covert operation” to get Gulen out of the U.S.

Flynn’s spokesman denies that any such discussions took place. (Flynn resigned from his post after it was revealed he had not disclosed conversations with the Russian ambassador to the

U.S.)

**▪ White House says it didn't know Michael Flynn lobbied for Turkey**

The Woolsey interview is just one in a recent series of mysterious developments in the Turkey-U.S. relationship.

Preet Bharara, the former U.S. Attorney for the Southern District of New York, has recently become a bit of a celebrity in Turkey. Before he was fired by the Trump administration, Bharara was prosecuting Turkey-based businessman Reza Zarrab on charges of funnelling money to Iran, in violation of U.S. sanctions.

Zarrab was also named in a 2013 bribery and corruption investigation linked to high-ranking officials in the Erdogan government, though the probe was eventually dropped.

Now Rudy Giuliani, an ally of U.S. President Donald Trump, has been added to Zarrab's defence team. And on Tuesday, a top executive with Turkey's state-run Halkbank was arrested in New York, accused of colluding with Zarrab.

Turkey's foreign minister says that arrest and "ensuring a transparent process" in the case is now on the agenda for his talk with Tillerson.

Then there's the recent electronics ban that affects, among others, Istanbul's main airport, and the new travel warning from the State Department, which asks U.S. citizens to avoid southeast Turkey "due to the persistent threat of terrorism."

Despite coming days before Tillerson's visit, Unluhisarcikli believes these alerts are not calculated moves intended to send a message to the Turkish leadership. "Coincidences are more probable than we tend to believe," he said.

What is definitely not a coincidence, but rather clear sign of strategy to keep relations with the U.S. in good standing – at

least for now – is how relatively silent the Turkish government has been in the face of the recent arrests and bans.

Erdogan and his ministers have railed against European leaders for other perceived slights.

## **What the U.S. needs**

Turkey isn't the only one who needs to keep this partnership going; the U.S. also needs an ally in the region.

Turkey has always offered that, and the use of its Incirlik Air Base, to the Americans. But as Erdogan's power has increased, so too have the fractures in the relationship.

The U.S. needs Turkey to be on board with its plan in Raqqa, and Tillerson is expected to again push for the idea of an anti-ISIS strategy that uses Kurdish fighters.

And Tillerson isn't likely to focus on Turkey's upcoming referendum that could expand Erdogan's powers even further, save for perhaps a reference to the importance of democracy. Tillerson will not be meeting with any opposition leaders.

Cavusoglu and Tillerson will hold a joint news conference after their meeting on Thursday afternoon, when many will be paying close attention to their words and body language.

The importance of the two countries' relationship cannot be overstated, Unluhisarcikli said. The more Turkey drifts away from the West, the more it drifts into the liability category, making an already unstable region even riskier.

"What Turkey turns into will determine whether Turkey is an asset or a liability for transatlantic community."

# Roudi Baroudi Remarks at the 8th Mediterranean Oil and Gas Forum 2017 in Nicosia, Cyprus.





These are truly historic times for the Eastern Mediterranean. The region still has more than its share of problems, but we could be on the verge of a new era – and the energy industry is well-positioned to show the way.

Energy is the lifeblood of modern economies, and all of the science points to massive reserves of oil and (especially) natural gas off the coasts of several Eastern Med countries, including Cyprus, Egypt, Israel, and Lebanon. If responsibly managed, this resource will contribute both directly and indirectly to significant GDP growth, giving these countries the capacity to make long-overdue investments in education, healthcare, infrastructure, transport, and other sectors. In turn, these investments will improve overall competitiveness, raise standards of living, reduce poverty, and set the stage for self-sustaining growth over the long term.

For our region, though, “responsibly managed” means more than just following international business, governance, environmental, and safety standards: it also means finding a way to build and maintain economic and political trust, both between nation-states and within individual societies. Whether we like it or not, we are all partners in this endeavor, so we share an interest in achieving the kind of stability that encourages private investment, reduces trade barriers, and accelerates economic activity across the board. If long-time rivals provide sufficient political and/or diplomatic space for our emerging energy industry to take root, the resulting economic benefits will flow to all concerned, alleviating many of the symptoms – and even some of the causes – of the

region's various problems.

No discussion of this topic is complete without emphasizing the central role to be played by Cyprus. Although every country involved will retain some of its gas production for domestic use, for most of us the real game-changer will be a massive boost in export revenues. There are two ways to get gas to markets in Europe and elsewhere – pipelines and liquid natural gas (LNG) carriers – and Cyprus is clearly the best gateway for both.

Its geographical location, ample coastline, and unique geostrategic position make it: 1) the perfect collection and distribution point for the output of neighbors like Lebanon and Israel; 2) an ideal terminus for one or more pipelines to Turkey and the European mainland; 3) the only viable location for a regional LNG plant; and 4) a natural middleman between regional governments whose relationships are troubled or non-existent. Because of these and other qualities, including its membership in the European Union, Cyprus should be the cornerstone on which the entire edifice of regional energy growth is built.

What is more, the Republic of Cyprus (ROC), has taken serious steps to make the most of these circumstances by establishing a presence at several steps along the region's energy value chain. It has moved quickly and effectively to make the island an indispensable regional energy hub by passing suitable legislation, setting up a national energy company, and drawing up a world-class regulatory regime. It also has **already signed EEZ delimitation agreements with Egypt, Lebanon and Israel**, attracted oilfield support, communications, and other service firms, and has now held three successful licensing rounds for exploration and production rights, securing the participation of major IOCs from around the globe.

The only significant **hurdle** still standing is the decades-old division of the island, where the internationally recognized



ROC controls only the southern two-thirds, while the rest is under the **Turkish control through the** “Turkish Republic of Northern Cyprus” (“TRNC”). Here too, however, both sides have demonstrated strong commitment to a negotiated reunification, and while the latest round of talks has been delayed by an uptick in tensions, there is **still reason** to expect a **resumption**.

Among these reasons is the fact that the new US Secretary of State, Rex Tillerson – whose previous career as head of ExxonMobil makes him singularly well-equipped to understand the importance of Cyprus – has already taken a direct interest in the peace process. We can only hope that the US, the UN, and the EU will exert even more positive pressure to help the talks succeed, including the powerful inducement of having at least some of the region’s gas exports pass through Turkey, which is already one of the world’s most important energy corridors.

TRNC. The governments of Greece and the United Kingdom also have critical parts to play in helping the Cypriot people to achieve reconciliation and start reaping the rewards thereof.

The other question mark in the Eastern Med is my homeland, Lebanon, and while a lot of time has been wasted in the past few years, efforts to get its house in order are finally back on track.

Until recently, political infighting had blocked Parliament’s election of a new president for more than two years, the Parliament extended its own mandate for nearly three years, and the prime minister and Cabinet were basically caretakers because of widespread perceptions that they lacked legitimacy. Even before this multi-sided impasse, rival political camps were so mutually suspicious that cooperation was impossible.

Despite these headwinds, some crucial preparatory steps were taken. The Lebanese Petroleum Administration was created in

2012, and while political squabbles delayed its work, the LPA still found a way to lay the foundation for the country's nascent energy sector: all the necessary mechanisms are in place or ready to be rolled out, including tender procedures and draft terms for the fiscal regime.

It is my pleasure to report that other pieces are now falling into place as well. The former commander of the Lebanese Armed Forces, General Michel Aoun, has been elected president, and he enjoys more broadly based support than any of his recent predecessors. He also has made a welcome habit of insisting that Lebanon can only regain its former glory by ensuring and enforcing the rule of law, something that will be essential if the Lebanese are to keep the proceeds of gas exports from being squandered by incompetence or pilfered by malfeasance.

There is a new prime minister too, and he and his Cabinet likewise enjoy relatively strong acceptance. Last but not least, most political factions have gotten serious about holding new parliamentary elections. The usual debate over constituency size and other rules may cause a delay, but most signs point in the right direction.

As many had hoped, the LPA has moved quickly to take advantage of improving political conditions. Most tellingly, it has initiated the country's first licensing round, inviting bids for offshore exploration in five of the 10 blocks it has delineated in Lebanon's Exclusive Economic Zone (EEZ). At least two of the five blocks are pretty straightforward: Block 4 lies entirely within Lebanon's EEZ, directly off the coast, while Block 1 lies in the northwest corner, where demarcation has already been agreed with Cyprus. **(As far as I know there is no delimitation agreement between Lebanon and Syria. Actually there is a maritime dispute stemming from the tabling by Lebanon of coordinates for its northern EEZ boundary to the UN to which Syria objected in writing).**

Blocks 8, 9, and 10 are more complicated because all three are

in the south, where Lebanon's maritime claims overlap with Israel's. The area in question is less than 5% of Lebanon's EEZ and an even smaller slice of Israel's **claimed EEZ**, which would have been negotiated away under normal circumstances, but the two countries have technically been at war for almost 70 years, punctuated by repeated outbreaks of actual hostilities and even more numerous threats thereof.

The situation is difficult but not impossible. The **US and the UN, as well as Cyprus have rendered their good offices in order to find ways to solve the dispute** by holding separate talks with Israeli and Lebanese officials, and whatever their other disputes, both sides now have a shared interest in avoiding anything that might hinder energy development. With so much at stake in terms of attracting foreign investment, securing export revenues, and accelerating GDP growth, the cost of another shooting war would simply be too high.

Conversely, the benefits – not just for Lebanon and Israel, but also for their neighbors and their would-be customers – of getting down to business are too attractive to pass up. Reliable supplies of cheap, clean natural gas from the Eastern Med would improve energy security for Turkey, the EU, and other consumer nations. Europe in particular would benefit from lower energy costs, reducing a major burden on households and restoring economic competitiveness. Perhaps most importantly, an East Mediterranean gas boom touched off by diplomacy would set an inspiring example for other regions haunted by longstanding disputes.

Beirut is not out of the woods yet. It still needs to settle several issues, including the establishment of a transparent and accountable Sovereign Wealth Fund to make sure that the benefits of future energy revenues flow to the general population rather than to small groups of economic and political elites. But at least the guiding principles are clear: steer clear of unnecessary frictions with Israel, follow international best practice, and protect the ensuing

revenues. Other obstacles may well emerge, but none will be insurmountable if these three rules are followed. REB remarks for Nicosia 2 March 2017

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# LNG plant at Vassilikos still an option, president says



Monetising the Aphrodite gas field is a top priority for the government, which based on expected future gas finds is also looking at options, including a liquefaction terminal at Vassilikos, President Nicos Anastasiades said on Wednesday.

In his speech at the 8th Mediterranean Oil and Gas Forum in Nicosia, Anastasiades presented the government's strategy for the development of the hydrocarbons sector, which includes improved cooperation among the region's countries.

Referring to the Aphrodite field, the president said it represents a top priority with the energy ministry in talks with the consortium to draft a development and production plan as soon as possible.

At the same time, he added, commercial talks with potential buyers in Cyprus and Egypt for long-term contracts are equally important.

Such talks are ongoing and the most viable option is a

regional pipeline to Egyptian liquefaction facilities, either at Damietta or Idco, the president said.

“Of course, it must be noted that, on the basis of expected future discoveries, the government of Cyprus is also examining various other scenarios of commercial development, including a liquefaction terminal at Vassilikos,” Anastasiades said.

Noting that French energy giant Total plans to conduct exploratory drilling in block 11 of Cyprus’ exclusive economic zone within the year, while the ENI/Kogas consortium plans to continue its exploratory programme, Anastasiades said that “it is becoming increasingly evident that the Cypriot hydrocarbons sector in the last two years has gained fresh momentum”.

“This is especially true after the promising results of the third licensing round, during which, despite the challenging investment climate in the hydrocarbons industry, we have received applications for the three available plots from companies of the highest calibre,” the president said.

Negotiations over exploration and allocation contract terms with the ENI/Total consortium in block 6, ENI in block 8, and the ExxonMobil/Qatar Petroleum consortium in block 10, are in their final stages, he added.

“We expect these plots to be licensed very soon, and that the companies will set an aggressive exploratory schedule,” Anastasiades said.

According to the president, Cyprus’ regional policy has traditionally placed a very high premium on creating an environment of stability and mutually beneficial cooperation.

“To this end, we are convinced that economic cooperation can also strengthen political trust, which comprise the necessary preconditions for successful cooperation in the field of hydrocarbons,” he said.

Anastasiades added that Cyprus hopes that the promise of prosperity can help create peace and stability in the region.

“I have the strong belief that, through respect for international law and national sovereign rights, all countries in our region and beyond, including Turkey, can benefit from cooperation and the creation of an environment of stability, which can secure energy investments in the billions,” he argued.

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## US Secretary of State Tillerson calls Anastasiades



New US Secretary of State Rex Tillerson and President Nicos Anastasiades held a telephone conversation on Tuesday evening – the first since the American official took office.

The announcement was made by Government Spokesman Nikos Christodoulides on his Twitter account.

Christodoulides wrote the conversation focused on the suspended UN-brokered Cyprus peace process, bilateral issues but also regional affairs.

Tillerrson was expected to also call later on Tuesday Turkish Cypriot leader Mustafa Akinci.