



The impact of politics on Turkey's currency during Erdogan's presidency

Turkish lira per US dollar



Source: Bloomberg

Turkey's Neo-Ottoman Ambitions:

Loggerheads With The Franco-Greco-Cypriot Triumvirate &

What It Means For Australia's Prized Liquefied Natural Gas (LNG) Crown-Jewel

Risk Management

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The 7.0 Richter magnitude earthquake that struck the Aegean Sea on Friday – killing seventy-nine Turks and two Greeks on the island of Samos – was nothing short of tragedy.

However, already on dangerous grounds, the event personified a broader dysfunction already brewing deep across the Aegean pitting the Turkish with a plethora of pseudo and direct foe, culminating into an anti-Turkish alignment of Greeks, French, Greek Cypriots, Russians, Israeli's, Syrians, Kurds, Egyptians and their apex arch-nemesis, the Saudi's [disputes over the murder in Istanbul of Saudi journalist Jamal Khashoggi, created plenty of bad blood between Turkish President Recep Tayyip Erdoğan and Saudi Crown Prince, Mohammad bin Salman, or MBS].

Watch:- [Kingdom of Silence](#) (Documentary)

Cite:- [Getting To Grips With Islamic Finance](#), 14 February 2018

Cite:- [Islamic Finance: A Chance To Connect](#), 30 August 2014

Beyond a broader discord over the proper role of Islam in politics, the discomposure between Erdoğan and the anti-Turkish coalition – led by an agitated Franco-Greco-Cypriot triumvirate – is not only seeing the eastern Mediterranean replace the South China Sea and the Arabian Gulf as the world's preeminent maritime trigger points, it positions Australia in the middle of this tumult at a time when Australia is protecting its preeminent Liquefied

Natural Gas (LNG) exporting lead and also, inauspiciously, [withdrawing her Royal Navy from the Levant and Arabian Seas towards our own nearer beyond \(South China Sea and the Indo-Pacific\)](#).

Cite:- [Oil Certain To Remain A Vital Signal For Global Investors](#), 5 December 2015

Cite:- [Negotiating The New Politics Of Oil](#), 6 December 2014

Australia already harbours her own ominous history with the Turks ([Gallipoli Campaign, World War One](#)) and the eastern Mediterranean – does she now choose defending her littoral zones against an increasingly belligerent Sino threat or remain in the Aegean buttressing the spectre of an increasingly intolerant Turkey? (a Turkey who sponsors a Lebanon-based Hezbollah, a *'bad actor'* in the Syrian War; which is still a conflict Australian soldiers are actively engaged in – an ongoing Libyan civil war and [arming rebels in the disputed enclave of Nagorno-Karabakh](#), set to be a redux of the Caucasus wars of the late 1990's).

Cite:- [Military Conflict With China](#), 6 November 2019

Cite:- [Taiwanese War & Markets Fallout](#), 30 January 2019

When Australia officially became the world's largest exporter of LNG on an annualised basis at the beginning of 2020, it set with it a *National Interest* in protecting its export-led Crown Jewel, especially as this prized export didn't depend on Chinese import demand (Japan, India, South Korea, et al, all prize Australian LNG for its quality and *'combustion efficiency'*).

By exporting an estimated record 77.5 million tonnes of locally produced LNG in very early 2020, Australia has edged out the former LNG export titleholder, Qatar, who

produced 75 million tonnes in 2019.

Cite:- [Why Africa Highlights Potential Oil Shocks](#), 24 October 2018

Cite:- [Energy Market Fears Feed Into Bonds, Equities](#), 6 February 2016

Australia's 2019 LNG exports were more than twice those of the US, the world's other fast-growing LNG producer and according to the US Energy Information Administration ('EIA'), the US can only accommodate exporting 34.3 million tonnes per annum out until 2023.

The Australian contribution came from across all three now fully established LNG hubs at Karratha in Western Australia, Gladstone in central Queensland and Darwin in the Northern Territory – home of both the Ichthys and Darwin LNG projects.

Total Australian 2020 LNG shipments were up significantly in 2018 and 2019, primarily due to the growth in production from the Ichthys project, operated by Japan's INPEX.

So, it became material that this past European Summer, in June, a confrontation between French and Turkish warships, which illuminated each other with their fire-control radars – the final step before firing a missile – saw NATO allies coming to the brink of combat. The Aegean hostilities all stem from relatively recent discoveries of [important hydrocarbon deposits, with a heralded 2010 study estimating that the area hosts 122 trillion cubic feet of natural gas and 1.7 billion barrel of oil reserves, with some sources reporting even higher figures](#).

Drilling exploration activities have increased in recent years and a number of promising offshore gas fields have been discovered, thus attracting the attention of major energy firms like Exxon Mobil, Total and ENI.



The Turkish, Franco-Greco-Cypriot triumvirate and Russian provocations stem through three episodes.

The first, in January 2019, a loose consortium to develop the resources was forged, consisting of Israel, Egypt, Italy, Greece, Jordan and the Palestinian territories — but not Turkish.

The Turks were understandably incensed, and have dispatched oil exploration vessels and drilling ships escorted by Turkish Navy warships. One, the exploration ship *Oruç Reis*, entered what Greece considers its territorial waters this summer, putting tensions at a new high. Turkey's actions have earned the condemnation of the European Union.

Second, the eastern Mediterranean is also the transit zone for Turkish and Russian warships sending arms to opposing sides in the Libyan civil war. Turkey is supporting the United Nations-recognised government in the capital of Tripoli, while Russia (along with Egypt, the United Arab Emirates and other Arab nations) is supporting the rebel forces of General Khalifa Haftar.

Cite:- [Africa: A Lead Indicator For Australia's Export-Driven Reliance](#), 5 April 2020

[President Emmanuel Macron of France, which supports the claims of Greece and Cyprus](#), calls stopping Turkey's aggressive actions a “*red-line*” issue.

The third point of contention is between Greece and Turkey over Aegean territorial disagreements. Greek Prime Minister Kyriakos Mitsotakis recently proposed extending his nation's territorial sea claims over its islands on the western, Italian side of Greece from 6 nautical miles to 12. The Turks have warned that if Greece tried extending its claims similarly eastward, in the Aegean Sea toward Turkey, it would be cause to *go to war*. As Turkey feels pushed away from both NATO and the EU, it strengthens the tendency of President Recep Tayyip Erdoğan to work with Russia (notwithstanding, their disagreement over the sides in Libya). As Turkey feels more estranged from the alliance, it may be more inclined to purchase advanced weapons from Moscow — as it already has with Russia's advanced *S400 missile system*.

Cite:- [What Really Happened to Global Oil & What's Coming Next](#), 15 March 2020

But the broader dysfunction, tensions and Aegean fissures run deeper than first superficially appears and a dynamic that increasingly echoes a lot of similarities with the South China Sea dispute in Asia. In such a crowded region, determining who has the right to access and exploit these resources can be problematic, as it requires reaching an agreement on the respective Exclusive Economic Zones (EEZ). While sometimes this has been done with success (like in the Israel-Cyprus and Egypt-Cyprus cases), other times the demarcation remains

disputed. That said, some rich deposits are located far from the coasts of Israel and Lebanon (like the Tamar and Leviathan field); some close to Egypt (notably the *Zohr field*, the biggest one in the region); and others in Cyprus' EEZ, like the Aphrodite and Calypso fields.

The latter is the most recent discovery in the Eastern Mediterranean, and it has already sparked clashes in the region. Among the conflicts and disputes characterizing the area, three assume a greater importance in the light of recent gas discoveries: the Israel-Lebanon maritime border dispute, the war in Syria, and finally the Cyprus question.

Israel and Lebanon have not reached an agreement on the delimitation of their respective EEZs, and since some interesting gas deposits lie next to the coast of both states, there is no agreement over who owns these resources.

Cite:- [The Levant And Law of Unintended Consequences: Emerging Markets Northwest Of The Arabian Plate](#), 25 May 2020

Of the two, Israel clearly has the upper hand, and has adopted a firm stance to assert its right to exploit the area's hydrocarbons.

But things are not so easy, as Beirut has protested these moves with Tehran's support.

Cite:- [US War With Iran & The Greenback: Oscillations Between Denial, Panic & Bellicose](#), 2 August 2020

Most importantly, the Lebanon-based Hezbollah, the powerful Shiite militia backed by Iran, has threatened to hit Israel's ships and facilities involved in offshore hydrocarbon exploitation if Israel interferes with Beirut's gas development projects.

Cite:- [If Not China, Iran – The Next Northern Hemispheric Crisis And Just In Time For November Third: Assessing Its Effect On The Dollar, Energy & The 'Recovery' Narratives](#), 23 May 2020

As such, and considering all the other sources of tension, the situation could rapidly escalate.

Cite:- [Defence Complex Investments](#), 4 July 2018

Complicating matters further, Tehran has specific plans with regards to the Levant and Eastern Mediterranean, which also explains its stance in Syria.

While it was not a significant hydrocarbon producer and it remains unclear how much untapped reserves it has, Syria still has a notable importance in the energy geopolitics of the Eastern Mediterranean as a pipeline crossroad.

In the wake of the Syrian civil war and the Western-backed sanctions, Damascus can no longer export its fuel to Europe as it was doing before the war.

A solution is to diversify its exports by cooperating with Iran and Russia.

Cite:- [Misleading economic statistics not](#)

[restricted to China and Russia](#), 4 June 2016

Cite:- [Power To Reprimand Russia Lies In The Hands Of Investors](#), 26 July 2014

The former planned to build a pipeline to the Mediterranean and Europe through northern Iraq and Syria, something that explains Tehran's presence in these two states and its firm support to the Assad regime.

For its part, Moscow sees Syria as an important conduit of access to the Mediterranean Sea, also in energy terms and what is material is that the Russo-Iranian projects in the region would bypass Turkey, reducing the political leverage it enjoys as an essential pipeline crossroads between East and West.

In this light, Ankara's intervention in Syria is not simply an effort to stop the formation of a Kurdish state, but also a measure to avoid the realisation of such pipeline projects that would reduce its geo-economic relevance. Erdoğan's first decade in power was underpinned by a debt-fuelled construction boom that dragged millions out of poverty and delivered much-needed apartment blocks, bridges, roads and airports. However, even before the *Global Corona Crisis (GCC)*, this model was looking less and less sustainable, with the economy doomed to increasingly volatile swings from boom to bust by Erdoğan's attempts to keep the party going with ever-greater credit binges.

Erdoğan has repeatedly instructed the central bank to cut interest rates in order to offset inflation –which duly jumped into double digits and helped push the Turkish lira into freefall. The enfeebled central bank has burned through some US\$40 billion in foreign currency reserves this year trying to shore up the currency, yet the lira is hitting record lows, only saved by the fact that much of that foreign currency debt is owed to domestic savers.

Cite:- [CEEMEA & US Dollar Liquidity Crisis](#), 9 October 2018

Cite:- [CEEMEA Region Offers Investment Opportunities](#), 26 September 2015

European (Spanish and French) banks have sizeable subsidiaries in Turkey and therefore have an incentive to ensure that Turkish borrowers are able to roll over their maturing debts, in order to prevent the spread of contagion across the European banking system, as [feared with Grexit in 2012](#).

Erdoğan has every pecunious incentive to lay claim and pursue rights over the Aegean seabed hydrocarbon bounty and his provocations towards *hot war* in the eastern Mediterranean should not be ignored by Australians who began discounting the Levant and Middle East as a bloc of yesteryear. ■