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Information Note: Turkey Wealth Fund, Borsa Istanbul And Tank Track Factory 3

1) Tank Track Factory 3

Production Before Privatization 3

Privatization Process..... 3

Bmc Shares 4

2) Turkey Wealth Fund 4

· Borsa Istanbul Sale 4

Twf Board Of Directors 5

· Other 9 Agreements Signed With Qatar:..... 5

Republican People’s Party Affirms:..... 6

INFORMATION NOTE: TURKEY WEALTH FUND, BORSA ISTANBUL AND TANK TRACK FACTORY

Turkey Wealth Fund was established in August 2016. The Chairman of the Board of Directors of Turkey Wealth Fund is the President of the Republic of Turkey, Recep Tayyip Erdoğan. Turkey Wealth Fund encompasses an equity of 177 billion Turkish Liras, composed of a wide range of entities from public agencies and factories in the field of mining, energy, communications, agriculture and food to state-owned banks and stock exchange; and from state-owned lands to games of chance, all of which actually belong to the nation. In this issue, we will be featuring the Tank Track Factory, 49.9% of which was sold to the Qatari Army and then transferred to BMC, after being non-transparently privatized out of the Turkey Wealth Fund in 2019; and Borsa İstanbul, 10% of which was sold to Qatar.

1) Tank Track Factory

It was the largest Integrated Tank Factory in Europe, comprising of various production facilities (a total of 1 million 800 square meters). The factory was serving the Turkish Army as the maintenance, repair and modernization center for all land vehicles of the 1st Army and Aegean Army. The factory was in charge of the production of mechanical spare parts for all land vehicles, steel rubber track production, optics production and howitzer production. In addition, engine rebuilding, tank improvement, electrical and electronic repair, hydraulic electrical maintenance activities were carried out.

- **Production Before Privatization**

The prototype of the Altay Tank was produced 100% domestically with a \$1 billion investment over a 7-year period. 281 FIRTINA Howitzers and 71 POYRAZ Ammunition Resupply Vehicles were produced. 172 Leopard T1-T2 and M52 tanks were modernized. After the prototype of the tank was formed, the mass production tender was awarded to BMC, which did not have the infrastructure for tank production and lacked the experience and human resources. In early 2019, orders were received for 140 FIRTINA-2 Howitzers.

- **Privatization Process**

Although BMC was allocated with land in Sakarya Karasu and was provided with incentives, BMC was unable to start the mass production of the Altay Tank. With a decision taken by the President on May 14, 2019, the Tank Track Factory was transferred to the Military Factory and Shipyard Management Incorporated (ASFAT A.Ş.) of the Ministry of National Defense.

ASFAT A.Ş. handed over the Tank Track Factory to BMC on August 21, 2019 with an undisclosed agreement, in other words, with no valuation, no announced value, no tender and no open contract. Today, the Tank Track Facility of the Turkish Army is in the hands of BMC, of which the Qatari Army is the senior partner.

- **BMC Shares**

Qatari Army 49.9%

Talip Öztürk 25.1%

Ethem Sancak 25%

2) Turkey Wealth Fund

Turkey Wealth Fund (TWF) Management Company was established with the Law No. 6741 published in the Official Gazette dated August 26, 2016. The purpose of the Fund is stated as "Contributing to the depth and diversity of instruments in capital markets, bringing domestic public assets into the economy, procuring external resources, participating in strategic large-scale investments." Turkey Wealth Fund is not subject to audit by the Court of Accounts. Ziraat Bank (100%), Halkbank (75.3%), Vakıfbank (36%), Borsa İstanbul (90.6%), Türkiye Sigorta A.Ş. (81.10%), Türkiye Hayat Emeklilik A.Ş. (100%), Platform Ortak Kartlı Sistemler A.Ş. (100%), Botaş (100%), Turkish Petroleum, TWF Energy, TWF Refinery and Petrochemical (100%), Turkish Airlines (49.12%), PTT (100%), Turkish Maritime Organization (49%), İzmir Alsancak Port (100%), TWF Mining (100%), Eti Maden (100%), Games of Chance Played for Cash License, Horse Racing Regulation and Bet Receiving License, Turkcell (26.2%), Türksat (100%), Türk Telekom (6.68%), Çaykur (100%), Kayseri Şeker (11.1%), İstanbul Finance Center and 46 real estate properties are incorporated within the Fund.

- **Borsa İstanbul Sale**

Among the 10 agreements signed between Turkey and Qatar on November 26th is the sale of 10 percent of TWF-owned Borsa İstanbul to the Qatar Investment Authority (QIA). Details such as the method by which the sale transaction was made and how the price was determined have been withheld from the public. How much the Qatar Investment Authority paid for the partnership was not disclosed. TWF's share in Borsa İstanbul dropped to 80.6%.

As the fund is not subject to the Public Procurement Law, it is not audited by the Court of Accounts and is not subject to Parliamentary scrutiny. The Wealth Fund is only used for repayment of debt.

TWF, whose long-term credit rating is BB- with negative outlook, wanted to borrow from international markets in November 2020 but could not find any loans. In the last

two years, TWF borrowed 1 Billion Euros from abroad with a Treasury guarantee and created a debt burden of 67.9 billion liras on the Treasury.

By favor of the Palace government; banks, ports, shopping malls, digital platforms, match broadcasting rights, lands for the Kanal Istanbul Project, companies producing armored vehicles, the stock exchange and the Sakarya Tank Track Factory have been transferred to Qatar.

- **TWF Board of Directors**

Executives: Recep Tayyip Erdoğan - President of the Republic of Turkey, Dr. Berat Albayrak - Deputy Chairman of the Board, Prof. Dr. Eriřah Arıcan - Member of the Board of Directors (BIST Chairman of the Board of Directors), Hüseyin Aydın - Board Member (Former Halkbank General Manager), Salim Arda Ermut – Board Member (Former Chairman of the Investment Office of the Presidency), Mustafa Rıfat Hisarcıkliođlu - Board Member (Chairman of TOBB, the Union of Chambers and Commodity Exchanges of Turkey), Fuat Tosyalı - Board Member (Chairman of Tosyalı Holding Board of Directors), Zafer Sönmez - General Manager and Board Member (Banking background)

NOTE: Berat Albayrak has resigned from his position.

- **Other 9 agreements signed with Qatar:**

1- Qatar Investment Authority becomes partner of **İstinye Park** shopping mall in Istanbul. Between Dođuş Holding (**Ferit řahenk**) and Qatar Investment Authority.

2- Memorandum of Understanding on Potential Joint Investment in **Golden Horn Project**. Between Haliç Golden Horn Marina Tourism Real Estate Construction Investment Inc. (**Fettah Tamince**) and the Qatar Investment Authority.

3- Agreement between Global Port Operators and QTerminals W.L.L on the **Transfer and Acquisition of Shares of Middle East Antalya Port Operators Inc.**

4- Memorandum of Understanding on **Joint Promotional Activities for Free Zones** between the Ministry of Trade of the Republic of Turkey and the Administration of Free Zones of the State of Qatar.

5- Joint Declaration on the **Establishment of a Joint Economic and Trade Commission** between the Ministry of Trade of the Republic of Turkey and the Ministry of Trade and Industry of the State of Qatar.

6- **Memorandum of Understanding on Cooperation in the Field of Water Management** between the Government of the Republic of Turkey and the Government of the State of Qatar.

7- **Memorandum of Understanding on Improved Economic and Financial Cooperation** between the Ministry of Treasury and Finance of the Republic of Turkey and the Ministry of Finance of the State of Qatar.

8- **Memorandum of Understanding on Cooperation in the fields of Family, Women and Social Services** between the Government of the Republic of Turkey and the Government of the State of Qatar.

9- **Declaration of Intent regarding the Exchange of Diplomats** between the Academy of Diplomacy of the Ministry of Foreign Affairs of the Republic of Turkey and the Institute of Diplomacy of the Ministry of Foreign Affairs of the State of Qatar.

Republican People's Party Affirms:

- The chairman of the board of directors of TWF is Recep Tayyip Erdoğan, who is also the President of the Republic of Turkey. As a result of his desire to hold power singlehandedly, the Chairman of Justice and Development Party Recep Tayyip Erdoğan personally occupies the position of the Chairmanship of the Board of Directors. Besides his son-in-law Berat Albayrak who resigned from his position, Prof. Dr. Erişah Arıcan, who was Albayrak's doctoral thesis advisor also sits in the Board of Directors (documents later revealed that Arıcan himself had actually written Albayrak's thesis).

- Turkey's most important assets are being managed by a family company, through secretive bilateral relations, without accountability to anyone.

- There is a risk that TWF, which incorporates the most important institutions of the country from state-owned banks to strategic companies, might sell the shares, other assets and rights of other companies in the same way. Whether these transfers of shares, assets and rights are made legally and their transaction values in monetary terms are not known. Such operations by TWF behind closed doors must be made transparent.

- TWF has become an unsupervised borrowing institution, and instead of generating resources, it has been selling off the existing resources without any control.

- The contents of the agreements signed with Qatar, especially the transfer of Borsa Istanbul shares, must be made public, and the ways to relieve TWF Management Company, which has a large debt burden, from this debt burden and management crisis have to be found. Article 98 of the Constitution, and Articles 104 and 105 of the Rules of Procedure of the Grand National Assembly of Turkey provide for initiating parliamentary investigations.

It is articulated that Turkey Wealth Fund is subject to a four-pillared system of supervision. Internal audit, public scrutiny, independent audit and the Plan and Budget

Committee of the Grand National Assembly of Turkey. Public scrutiny is vested in the State Supervisory Council. The State Supervisory Council is attached to the President of Republic. The Chairman of the fund is the President of Republic. There exists a supervisory panel composed of three people, all of which are appointed by the President of Republic. As for independent audit, the audit reports bear a "qualified opinion" remark. "Qualified opinion" means that the audit was not conducted due to certain circumstances, in other words, qualified opinion means that the audit could not be performed. The Plan and Budget Committee is examining the reports of audits that could not be carried out. In summary, Turkey Wealth Fund is not being audited.

- And in accordance with the Constitution and as required by the principle of separation of powers; if the head of the executive branch is also the head of the Wealth Fund, then another branch, an independent one, meaning the legislative branch, must supervise the Fund in line with the principle of separation of powers.