



PERSPECTIVES

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How an Erdoğan Crony Made a Fortune

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EXECUTIVE SUMMARY: The BMC affair is just one example of an Erdoğan business crony making hefty gains thanks to nepotism and favoritism.

Ethem Sancak is a Turkish businessman with an empire of media companies. Sancak, a former Maoist, once declared that he was in spiritual love with Turkey's Islamist strongman, President Recep Tayyip Erdoğan. He has also served on top boards of Erdoğan's ruling Justice and Development Party (AKP).

In 2014, Sancak's Es Mali Yatırım Danışmanlık company purchased BMC, then a troubled armored vehicles maker, for \$350 million. BMC had been seized by the government's banking fund for unpaid debts worth \$75 million.

Sancak then rushed to his spiritual love, Erdoğan, in quest of a partner to back his venture into the defense industry. Erdoğan recommended businessman Talip Öztürk, a distant relative of his. Öztürk invested \$100 million in BMC to become partners with Sancak.

Not enough, Sancak thought. Once again he went to Erdoğan for help. Erdoğan then brokered a [deal](#) in which a Qatari fund invested \$300 million to buy a 49.9% share of BMC. Sancak now owned 25% of BMC and had already raised a net \$50 million for the venture. Acquiring \$50 million plus 25% of a big defense company, all for free, isn't bad.

But even that was not enough. In a highly controversial move, Erdoğan's government allocated 2.2 million sqm of public land to BMC to be used for the company's future investments. BMC subsequently defeated two local rivals and won a strategic contract for the initial production of a batch of 250 Altay tanks, the country's first indigenous tank in the making. Defense

industry sources estimate the Altay contract, involving an eventual 1,000 units, to come to around \$11 billion.

In May 2018, the government granted 1.4 billion Turkish liras (approximately \$250 million) in investment incentives to BMC for the Altay program, including tax cuts, pension premium reductions, subsidized energy, and more. The government also allocated—gratis—a military tank production and maintenance factory in Arifiye, near Istanbul, to BMC. The company was only obliged to invest \$50 million in return for the right to operate the Arifiye plant for 25 years.

Turkey's opposition parties wanted a parliamentary investigation into the [BMC story](#), but the effort was voted down by Erdoğan's AKP.

Based on 2020 defense revenue, BMC [ranked](#) 89th in the *Defense News* Top 100 annual rankings with the equivalent of about \$533 million. But this was still not enough. Sancak and Öztürk recently [sold](#) their 50.1% share in BMC to Turkish steel producer Tosyalı Holding for \$480 million.

Tosyalı Holding, a leading iron and steel producer, also has close ties to Erdoğan. Tosyalı operates facilities on three continents and produces six million tons of steel annually. The company employs over 10,000 people. Its other business interests include maritime, port operation, foreign trade, and power generation.

The BMC affair is just one example of the way Erdoğan's business cronies make hefty gains thanks to nepotism and favoritism. Corruption runs so deep in the veins of the Turkish administration that most major government tenders work on an "invitation only" basis, with only government-friendly companies admitted to the competition. According to the World Bank, [five of the world's top 10](#) companies that have won the biggest infrastructure contracts from their governments are Turkish (Limak, Cengiz, Kalyon, Kolin, and MNG)—and they are all run by business cronies of Erdoğan's. Government departments often keep contract prices secret, citing "commercial secrecy."

In April, Turkish trade minister Ruhsar Pekcan [confirmed](#) that she had directed her ministry to purchase 9 million liras' (\$1.1 million) worth of disinfectants from two companies owned by her husband, Hasan Pekcan. But she denied any wrongdoing, claiming the tenders had been allocated according to regulations. The opposition demanded Pekcan be tried by the Supreme Court, but AKP management [ruled that out](#).

These stories show how the right person with the right connections can make a fortune in Erdoğan's Turkey. Just by gaining access to the right partners and buyers, Ethem Sancak netted \$290 million without producing a single tank. At the best estimate, BMC is still a decade away from producing Turkey's next generation battle tank. It may never have the technology necessary for that ambitious program, but none of that is Sancak's concern.

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