



TURKEY REPORT

2015



Turkey Report 2015

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Contents

Introduction.....	5
Overview of Turkey Between May 2014 and June 2015.....	7
Democracy, Rule of Law and Human Rights.....	9
<i>Kurdish Peace Process</i>	9
<i>Corruption Investigations</i>	10
<i>Presidential Election</i>	12
<i>General Election, 2015</i>	14
International relations.....	16
<i>Syrian Crisis</i>	17
<i>Relations with the West</i>	18
Economy.....	20
Conclusion.....	23

Introduction

Turkey Institute is a London-based centre of research, analysis and discussion on Turkey. It offers high-quality analysis of the Turkish state and society covering foreign, domestic and economic policy with special interest in democratic governance, human rights and the rule of law. It organises high-level discussions on Turkey's current affairs drawing attention to any implications for Turkey–UK relations and provides regular media updates produced by a wide range of research fellows. Turkey Institute's work is intended to benefit policy makers, the media and other relevant stakeholders to enable a more nuanced and thorough understanding of a country whose politics is most convoluted but whose successes and failures have deep implications for the region and the wider world at a number of levels, including the political, economic, cultural and religious.

In addition to a number of forthcoming publications on a variety of topics, the Turkey Institute will also publish an annual Turkey Report providing succinct insight and analysis into the most significant developments of the past year. This first report has been assembled using the collective effort, expertise and input of our research fellows. The structure of the report is as follows: it begins by listing key developments in Turkey from May 2014 to June 2015. The report then discusses the trajectory of the Kurdish peace process carried out by Turkey's government and the Kurdish armed group, the Kurdistan Workers' Party (PKK). Given its wider implications for Turkey's form of governance, the report then examines President Recep Tayyip Erdoğan's presidency as well as the run-up to and the results of Turkey's 2015 general elections. This is followed by an appraisal of the repercussions in 2015 of the derailed judicial investigations into government corruption and money laundering in December 2013. The report then considers Turkey's foreign relations with the Western world. The report concludes with an analysis of Turkey's economy that is demonstrating promising macroeconomic highs as well as heightened structural weaknesses.

Overview of Turkey Between May 2014 and June 2015

- Turkey's political and social scene has become very complicated and volatile following the 2013 Gezi Park protests, anti-corruption investigations and regional problems.
- Overall, there has been regression in Turkey this year at a number of levels: democracy, human rights, rule of law, transparency and accountability, trust in politics, and economic conditions.
- This regression is owed in large part to Erdoğan's growing authoritarianism as demonstrated by the systematic undoing of mechanisms that maintain the separation of powers, the relentless and aggressive persecution of journalists and social media users and the pressure exerted on the business and third sector in Turkey.
- During this period and in chronological order, Turkey elected a new president for the first time by popular vote; the Justice and Development Party (AKP) appointed Ahmet Davutoğlu as its new leader, who as a result also became the unelected Prime Minister of Turkey and Turkey held its 24th general election in 2015.
- President Erdoğan campaigned on behalf of the AKP in the run-up to the general election. He continued to employ a combative and conspiratorial rhetoric, vilifying opposition-party leaders, foreign governments, foreign media outlets and a range of domestic groups. By campaigning on behalf of the AKP, President Erdoğan flouted election laws as well as the constitutional requirement that the President remain impartial on party political matters.
- On 7th June 2015, Turkey held its 25th general elections in which 20 political parties and 165 independents took part. 48 million voters went to the ballot box (86.5% turnout) with AKP gaining 40.8%, the People's Republic Party (CHP) gaining 25% and the Nationalist Action Party (MHP) gaining 16.3% of the vote. The most significant gain in the election was by the People's Democratic Party (HDP), which gained 13.1%, passing the 10 per cent threshold. As a result, the AKP lost its majority in government for the first time in 13 years, forcing it to explore a coalition or minority government. Since Erdoğan turned the general election into a referendum about his leadership and a vote for an executive presidency, the loss of the AKP's majority is seen as a snub by the electorate to Erdoğan despite the party's considerable share of the vote. On the other hand, despite being the smallest party in parliament, there is little doubt that the winner in

this election was the HDP as it managed to overcome the parliamentary threshold of 10% for the first time in its history of championing the Kurdish cause.

- The Turkish government continues to pursue an assertive foreign policy towards neighbouring countries in the Middle East. Turkey became directly involved in the internal politics of countries such as Syria and Egypt and now has no Ambassador in Syria, Egypt and Israel.
- The government's efforts to resolve Turkey's Kurdish issue have stalled. While a number of symbolic steps were taken by the government, no tangible progress was achieved. The process has been frozen for now following critical statements and a surge in nationalist rhetoric by President Erdoğan in the run up to the general election earlier this year.

Democracy, Rule of Law and Human Rights

Kurdish Peace Process

2014 has been a critical year for the future of the Kurdish peace process. For over two years the Justice and Development Party (AKP) government claimed to have a clear policy on the Kurdish issue. However, we have yet to see a decisive and comprehensive policy that will address the multifaceted character of the question. The first few months of 2015 witnessed the adoption of an increasingly nationalist discourse by President Erdoğan and a number of AKP members in the run-up to the general election in June 2015 in order to gain votes. The peace process, therefore, has again been instrumentalised for the political future of President Erdoğan and the AKP.

The lack of transparency in the peace process makes it difficult to evaluate the context and details of the government's political engagement with the Kurdish armed group, the Kurdistan Workers' Party (PKK). Although it is unrealistic to expect full disclosure of all the details about the talks in the process, a certain degree of transparency is needed in order to change public perception of the Kurdish question and its implications for Turkey's future. The AKP's non-inclusive approach, by which it has assumed full control of the peace process while ignoring any criticism and keeping Parliament and the opposition parties out of the process, renders the peace process vulnerable to unanticipated developments and daily events, thus endangering the public support necessary to translate the peace process into a lived experience. Ideological confrontations between various groups in society on many fundamental aspects of the Kurdish question and its political implications for Turkey's future, as in the tension between the pro-PKK and pro-Free Cause Party (Huda-Par) groups, show the conflictual nature of the issue. Thus, a more inclusive and comprehensive approach, where the issue can be discussed at a public level, is needed for the societal internalisation of the peace process.

On 28th February, at a joint press conference with the government's delegation to the peace process, Sırrı Süreyya Önder of the Peoples' Democratic Party (HDP) quoted a message from Abdullah Öcalan that called on the PKK to convene a conference in the spring on the prospect of laying down its arms based on grounds mutually agreed in the peace process. As preconditions for the call for the PKK to lay down arms, Öcalan listed ten principles on which substantial negotiations would be based. The government has not taken any measures towards clarifying or implementing these ten principles. President Erdoğan heavily criticised the principles, declaring that the Kurdish issue no longer existed in the 'new' Turkey. The first version of the AKP's election manifesto for 2015 – which was reprinted

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later – did not mention the peace process at all, and Prime Minister Davutoğlu’s claim that this was a ‘printing error’ was harshly ridiculed. Moreover, Deputy Prime Minister Bülent Arınç’s public criticism of Erdoğan’s intervention in the peace process and his assertion that Erdoğan had prior knowledge of the declaration demonstrates how the peace process has become subject to

the government’s own needs, meaning that the government is only willing to take steps that suit its party-political agenda and is willing to stall, freeze and reverse steps again out of the same motivation. Arınç’s intervention also demonstrates that there is at least some discontent within the party.

For a working peace process, a step-by-step detailed agenda, a high-priority timeframe, more socially inclusive interaction, and jointly approved ground rules and monitoring principles are required. Social engagements, meetings with community leaders and opinion leaders, open forums with academics and area experts, bi-weekly or monthly briefings are needed in order to guarantee the support of the public. Failing that, Turkey runs the risk of civil conflict after the general election, while the peace process seems already to have been sacrificed for the sake of the AKP’s own future and its efforts to further consolidate power.

The broader issue here is the capacity of a government whose authoritarian policies undermine even the most basic democratic principles and its expressed desire to resolve one of Turkey’s most intractable problems, a problem which requires institutional and conceptual capacity to develop a comprehensive approach that will ensure the full enjoyment of rights and freedoms by the Kurdish minority. The Kurdish question is central to the democratic progress of Turkey in the sense that many problems related to rights and freedoms in Turkey are inextricably linked to it, either as a result of sharing the same or similar root causes or the inevitable effects on these problems of eventual peace with the PKK. Therefore, the success of the peace process is conditioned on the overall policies and practices of the AKP government, which raise serious human rights concerns that further limit Turkey’s institutional capacity for resolving the Kurdish question.

Corruption Investigations

Without any doubt, one of the most significant events in Turkey in 2014 was the corruption, bribery and money-laundering investigations (17 December, 25 December, 2013) implicating Erdoğan’s son Bilal Erdoğan, cabinet ministers,

businessmen with close links to the AKP government and executives of the Turkish banking system. At the time, a great many recordings were leaked of phone conversations considered to be evidence of corruption. Within days, police officers leading multiple investigations, some of which had begun two years earlier, were replaced and reassigned and new prosecutors were assigned to the investigations. This was followed by a government decree removing 350 detectives and police officers from their positions, including the chiefs of units dealing with corruption and organised crime. The original prosecutors who led the investigations were eventually reassigned, demoted and finally dismissed. Since then, over sixty thousand police officers, thousands of civil servants and hundreds of prosecutors and judges have been reassigned, demoted and/or dismissed. While the four cabinet ministers implicated in the investigations resigned from their ministerial positions, the newly assigned prosecutors who took over the investigations withdrew all charges and the cases have since been closed.

Subsequently, the AKP government has passed a number of laws making structural changes to the judiciary and undermining the separation of powers by bringing the supreme board of judges and prosecutors under government influence, introducing a new breed of super judges with extraordinary powers without any form of upward appeal process, assigning political cases to these new judges, and restructuring the Supreme Court of Appeals.

The corruption investigations are still a burning debate in Turkey and the Achilles' heel of both the AKP and President Erdoğan. This is in part because of the evidence

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that leaked to the press during that period, including video and audio recordings, photographs and other supporting material. The audio recordings were particularly damning, allegedly showing ministers doing illicit deals with businesspeople. Those implicated have so far been unable to rebut the evidence to public satisfaction, for example by commissioning an independent forensic body to demonstrate that the recordings had been edited to give a false impression as Erdoğan has claimed. The other reason the topic of the corruption investigations is not subsiding is because President Erdoğan keeps them on the public

agenda by claiming that they were part of an unsuccessful coup attempt by the Hizmet movement, a faith-inspired civil society movement; he claims the movement is acting on behalf of 'international powers' and foreign governments. On this pretext, Erdoğan has been pursuing a self-proclaimed 'witch-hunt' against the movement.

The Journalists and Writers Foundation, of which Gülen is the Honorary Chair, and a number of commentators affiliated with Hizmet have claimed that Erdoğan used Hizmet as a pretext to derail the corruption investigations and deflect personal criticism by projecting it as an 'enemy of the state' and employing the same conspiratorial narratives he used during the 2013 Gezi Park protests, which he crushed on the grounds that they were orchestrated by the 'international interest lobby' and foreign governments who wanted to topple his government.

Presidential Election

On 20th January 2012 the Turkish Parliament passed an act containing new rules and procedures by which Turkey's next head of state would be elected. The head of state was to be elected by popular vote for the first time in Turkey's history with elections to be held on 10th August 2014. There were three candidates for Turkey's first presidential elections: Recep Tayyip Erdoğan, supported by the AKP; Ekmeleddin İhsanoğlu, former Secretary-General of the Organisation of Islamic Cooperation (OIC) from 2004 to 2014, supported by the two main opposition (CHP and MHP) and smaller parties; and Selahattin Demirtaş, a Turkish/Kurdish candidate, supported by the People's Democratic Party (HDP) and several smaller left-wing parties.

While Erdoğan adopted a more conciliatory tone by his own standards during his presidential campaign, he nonetheless continued to denigrate the Hizmet movement and to lambast the other presidential nominees, even implying at one point that Ekmeleddin İhsanoğlu was a traitor for standing against him in these elections. This divisive rhetoric aside, Erdoğan's campaign was based on the claim that he was the inclusive candidate of the elections with the slogan 'The Man of the People.' İhsanoğlu also tried to create an inclusive campaign but because of his conservative background, he did not gain the support of the young social democrats and leftists who had played an active role during the Gezi Park Protests. Also, he could not consolidate the support of CHP and MHP voters, as he could not find a common discourse for the two groups. What is more, he was unable to connect with the young and confident electorate due to his out-dated language and image. Although Selahattin Demirtaş's campaign budget was tight, he managed to have an unexpectedly large impact. He was able to connect with the electorate through his style and substance, focusing on democracy and human rights issues. The significance of Demirtaş's candidature and campaign would only become fully apparent in the later general election.

The presidential campaign was seriously marred by inequality of media coverage of the three candidates.

The presidential campaign was seriously marred by inequality of media coverage of the three candidates. For example, between 14 and 20 July, the campaign coverage time allocated for the three candidates on the national state news channel the Turkish Radio and Television Corporation (Türkiye Radyo ve Televizyon Kurumu, TRT) was as follows: Erdoğan – 8 hours,

İhsanoğlu – 3 hours and Demirtaş – 1.5 hours. That imbalance in media coverage was even greater in the private media sector which is heavily influenced by the AKP with Erdoğan's campaign headlining almost every day on many TV channels and in many newspapers. Erdoğan won the election, securing 51.79 per cent of the vote, with Ekmeleddin gaining 38.4% and Demirtaş 9.76%. Erdoğan became 12th President of the Republic of Turkey by winning over 50% of the valid votes in the first round of votes; this equates to 37 per cent of the total registered electorate.

Despite Erdoğan's triumph in the first round, he has not moderated his harsh and divisive discourse since he won the presidential election, even though the president as head of state is supposed to represent the country as a whole and not his original party. Another controversial topic at present is the extravagance of the presidential budget and expenditure (for example, the new presidential palace and plane). Furthermore, although Turkey currently has a unicameral parliamentary democratic system, Erdoğan's self-professed political goal is to convert it into a 'Turkish-style' presidential system.

Erdoğan has been advocating for a 'Turkish-style' presidential system in Turkey for a number of years although, he claims that he has argued for this for far longer. A quick survey of Erdoğan's own comments is revealing. Erdoğan has in fact advocated for a presidential system in the context of complaining about the 'separation of powers'. He sees the checks and balances on the executive branch of government as a hindrance and an annoying inconvenience rather than as a necessity of democracy. He speaks of needing to 'sprint' and 'lunge' forward in a way that cannot be achieved in the current system, which he sees as too slow. He rails against the restraint placed on the executive by the legislature and judiciary. Thus, his concept of a 'Turkish-style' presidency is unrestrained compared to a 'U.S.-style' presidency. For example, AKP MP and Constitutional Law professor (and long-time friend of Erdoğan), Burhan Kuzu, has described the U.S. presidency as 'lame' since President Obama cannot appoint an Ambassador without the Senate's approval. That type of critique is worrying since it implies that the desired new system would be open to greater abuse than the current one, and with Erdoğan as the new president, he would be left to check his own powers.

General Election, 2015

On 7th June 2015, Turkey held its 25th general election. Twenty political parties and 165 independent candidates stood in the election, in which almost 48 million citizens cast their votes (85.6% turnout overall). Despite the 10% parliamentary threshold, preventing any party achieving below that threshold from gaining seats in parliament, election-day results demonstrated that 95% of voters would be represented in the Turkish National Assembly as a result of the election. What is more, 4 Christian, 3 Armenian, 2 Ezidi and 1 Roma candidates were elected to be members of parliament. Another positive outcome of the election is that 90 women were elected, particularly as a result of HDP's strong support for women candidates. The official outcome of the 2015 general election is:

- AKP (Justice and Development Party) – 40.8%: 258 MPs
- CHP (Republican People's Party) – 25.0%: 132 MPs
- MHP (Nationalist Movement Party) – 16.3%: 80 MPs
- HDP (People's Democratic Party) – 13.1%: 80 MPs

The AKP needed 276 seats for a majority but only gained 258 seats, falling short by 18 seats. As a result, the AKP lost its majority in parliament for the first time in 13 years, forcing it to explore a coalition or minority government, a process which was still ongoing at the time of going to print. Since Erdoğan had turned this general election into a referendum about his leadership and a vote for an executive presidency, the loss of AKP's majority is seen as a snub by the electorate to Erdoğan, despite the party's considerable share of the vote.

The CHP, Turkey's main opposition party, pursued an economy-oriented agenda for the elections and fielded a number of highly respected candidates. However, the party made no significant gains in its share of the vote when compared with the 2011 election. At this point, even though CHP could play a significant role in possible coalition scenarios, conflict within the party is likely to emerge in the near future arising from a leadership debate.

The MHP increased its share of the vote by nearly 2 million compared to the 2011 election and now has 80 MPs. The leader of the party, Devlet Bahçeli, secured and strengthened his leadership of the party. The growth in the number of MHP votes also signals that nationalistic attitudes and sensitivities still prevail in Turkey. MHP's stance will be highly influential on the structure and outlook of the government whose formation is going to be negotiated in the following days.

Although it is very early to come to any conclusion, the HDP's presence in parliament at least strengthens the idea that the correct platform for a solution to ethnic conflict is not armed struggle but politics.

The most significant outcome of the 2015 elections is that the strategy of the HDP (which was originally rooted in a Kurdish political movement) to become the party of Turkey was accepted and supported by the wider public in Turkey. That is to say, the people of Turkey allowed the HDP to enter into parliament not only to strive for the rights of the Kurds but also for those of other oppressed groups. Moreover, their 13% share of the vote indicates that some voters (particularly from the left wing) cast a tactical vote for the HDP in order to build a bulwark against the discriminatory attitudes of the AKP government and President Erdoğan. Although it is very early to come to any conclusion, the HDP's presence in parliament at least strengthens the idea that the correct platform for a solution to ethnic conflict is not armed struggle but politics. Consequently, this may increase the legitimacy of the peace process thanks to the involvement of the different parties represented in the parliament. As a result, despite being the smallest party in parliament, HDP was clearly the 'winning party' in this general election.

The election results also have implications for the external relations of Turkey, particularly its foreign policy on Middle Eastern countries, in the sense that Erdoğan will not be able to enforce his own arbitrary decisions. Relatively stronger opposition may establish a stronger check-and-balance mechanism in foreign policy as well. Besides, it is apparent that since the 2011 elections, the ruling party had drifted away from EU negotiations, which has affected Turkey's democratisation process. If there is a coalition government, Turkey's democratisation attempts based on its relations with the Western world may be accelerated, which should result in a more secure environment both for economic investment and political cooperation. However, it is clear that the number one item on Turkey's agenda in the following days and weeks is going to be to form a government, and this might turn into a troublesome period. Therefore, foreign policy engagements are expected to be temporarily postponed until the coalition government is formed.

Table 1: Official comparative results of 2011 and 2015 elections

2015	Number of Votes	Vote Share	Number of MPs
AKP	18,867,411	40.9%	258
CHP	11,518,139	25%	132
MHP	7,520,006	16.3%	80
HDP	6,058,489	13.1%	80
Others	2,199,198	4.7%	0
Total	46,163,243	100%	550
2011	Number of Votes	Vote Share	Number of MPs
AKP	21,399,082	49.83%	327
CHP	11,155,972	25.98%	135
MHP	5,585,513	13.01%	53
Independent	2,819,917	6.57%	35
Others	1,981,279	4.61%	0
Total	42,941,763	100%	550

International relations

Since 2011, the AKP pursued a very assertive foreign policy towards neighbouring countries in the Middle East. The government has become directly involved in the internal politics of a number of countries in the region such as Syria and Egypt. However, Turkey's intrusive engagement in the domestic politics of neighbouring countries is in sharp contrast with its 'zero problem with neighbours' policy developed in the first (2002–2007) and second terms (2007–2011) of the AKP government.

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The AKP has been in power for 13 years since 2002. In its first and second terms, until 2011, AKP followed a western-oriented foreign policy. The EU full membership bid guided its foreign policy. The party and government were also developing good diplomatic and economic relations with neighbouring Arab countries. The United States and European Union supported these approaches too. Turkey was promoted as a 'model' country for the Muslim countries in the region by

Turkey appears to be competing with Iran for reach and influence, especially in Syria, where Turkey and Iran are engaged in a proxy war for regional control. In comparison to Iran, what Turkey lacks is a proxy militia, which Iran has on the ground, and it may be for this reason that Turkey has supported some opposition groups to make up for this 'shortcoming' in Syria and beyond.

the U.S. In his speech to the Parliament of Turkey in 2009, President Obama placed particular emphasis on Turkey's capacity and potential in this respect.

Targeting EU membership required the government to make some fundamental reforms in the state apparatus, especially during its first term. This helped the AKP government to re-regulate civil–military relations in favour of civilians. These reforms helped the government to quickly remove military tutelage over foreign policy formulation. In the middle term this led to a civic foreign policy, driven by the economy and not by security. In this civic-formulated foreign policy, economic growth has been the primary strategic

incentive. Therefore, to open up new markets for the country's new middle class, known as the Anatolian tigers, diplomatic and economic relations were established with countries that had been ignored for decades.

Syrian Crisis

Turkey's economy-driven foreign policy persisted up until the Arab uprisings that broke out in 2011. The uprisings not only shook the region and disturbed regional balances but also hugely affected Turkey's foreign policy calculations. It led to the emergence of a much more assertive and politically interventionist Turkey in the region. Turkey abandoned its role as trading partner and mediator in regional conflicts and took sides.

Turkey continues to play upon sectarianism in its foreign policy approach. In this respect, it appears to be competing with Iran for reach and influence, especially in Syria, where Turkey and Iran are engaged in a proxy war for regional control. In comparison to Iran, what Turkey lacks is a proxy militia, which Iran has on the ground, and it may be for this reason that Turkey has supported some opposition groups to make up for this 'shortcoming' in Syria and beyond.

The Turkish government has been narrowly focused on regime change in Syria since the day the Syrian crisis broke out. It has seen the removal of al-Assad as a strategic priority for Turkey's future regional interests, pursuing any opportunity to accelerate this process. This policy approach of Turkey has put its relations with the Shia-dominated Baghdad government at risk as well.

Despite some ups and downs, the only regional actor with which Turkey has maintained good relations is the KRG (Kurdistan Regional Government). The main motive behind this seems to be energy. Promising oil and gas discoveries in the region have played a significant role in shaping Turkey–KRG relations. There is a mutual dependency between both polities. Turkey is an energy-dependent country and has dream of being an energy hub. For the Kurds, targeting western energy markets requires good relations with Turkey. For the West, Turkey is an alternative supply route, while the KRG is a promising alternative oil and gas supplier. These factors primarily have led and maintained the rapprochement so far.

Rumours of Turkey's unscrupulous support for opposition forces in Syria including ISIL continue to occupy news reports on the region. That Erdoğan and Davutoğlu were unable to call ISIL a terrorist group even after the 49 Turkish hostages were released only changed after Erdoğan returned from a state visit to the U.S. Davutoğlu called ISIL 'not terrorists but a group of angry men', and other statements from AKP MPs are worrying, suggesting that even if Turkey has not directly or indirectly supported ISIL, it has a perplexing estimation of and response to ISIL that is not in line with the rest of the world.

Turkey has spent 5 billion U.S. dollars providing shelter for Syrian refugees by building a massive camp housing approximately 2 million Syrians fleeing the war. This is a commendable effort by the Turkish government and should be recognised. What is worrying however are rumours that the AKP government will come up with a plan that allows these refugees to vote in local and national elections, suggesting a possible ulterior motivation at play. What is more, the socio-economic implications of absorbing this many refugees in such short period of time is beginning to show in Turkish towns and villages, as a backlash against Syrian refugees begins to emerge.

Relations with the West

Turkey's relations with the United States have changed significantly since the Arab Spring. The different approaches of Ankara and Washington to the crisis in the Middle East are the main reason for deteriorating relations. Turkey has lost the trust of both the United States and European Union that it had won with great difficulty in the preceding decade. The political cleavage in Turkey and its implications are another reason for worsening relations. The AKP government has taken an oppressive stance towards a range of people and groups including journalists and media outlets that are critical of government or even parts of social media such as Twitter and YouTube that are beyond government control; supporters of the 2013 Gezi protests and especially actors and public figures that have expressed support for the Gezi protests; Hizmet affiliated organisations and those sympathetic to Hizmet in the public sector; certain business groups owned by people whom the government considers to be supportive of opposition parties such as the CHP and

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MHP; parts of the private education sector, by banning private University exam prep centres; and now an escalating rhetoric against the HDP, which caused the AKP to lose its government majority in parliament. These developments are being watched closely by the western world. The depiction of Turkey by top U.S. and UK newspapers is understandably negative, due to the government's inhibition of the

Another difference which arose between the United States and Turkey was in their approach to the Syrian issue. For the United States, fighting ISIL is the number one priority. For Turkey, however, the number one priority in the region is toppling the Assad regime. This and other forms of foreign policy divergence have caused a number of complications, such as the United States supporting the Democratic Union Party (PYD) to fight ISIL, while Turkey declares that the PYD is as dangerous as ISIL.

On the U.S. front, for only the second time in Turkey/U.S. relations, the White House publicly contradicted a statement made by the Turkish President. The first contradiction was not long ago in March 2014. It was about a telephone call regarding the extradition of Turkish Islamic scholar Fethullah Gülen. Erdoğan claimed that Obama 'looked at it positively' and said 'we got the message.' This was denied by the U.S. administration, which said that the telephone call was 'misrepresented' by Erdoğan. The second incident happened in April 2015. The Turkish Foreign Minister Mevlut Cavuşoğlu, during his official trip to Washington, claimed that Obama had agreed to join an opening ceremony of a mosque in a Turkish–American cultural complex. However, this claim was denied by the White House while Cavuşoğlu was still in Washington.

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Another unprecedented development in U.S./Turkey relations was that 74 of the 100 U.S. Senators co-signed a scathingly critical letter of Turkey's AKP government and its treatment of journalists. Such criticism has

also been made by the European Union. All these developments demonstrate that the United States is deeply concerned and unhappy with Turkey's undemocratic tendencies.

Turkey inviting China to bid on military tenders is also a serious concern for the United States and other NATO members. In a similar way, the recent rapprochement between Turkey and Russia also makes Turkey an unpredictable NATO country for the West.

With problems with Russia and Ukraine, the European Union and the United States have less leverage over Turkey. They cannot afford to have another standoff with another country in the region. They depend on Turkey for an alternative energy route from alternative energy sources, in particular Iraq and its Kurdish Region, and Turkey knows this. So while vocal criticism will continue, it is unlikely that the United States or European Union will take more drastic measures unless the current balance becomes untenable, which is not all that unlikely given the problems Turkey faces and Erdoğan's style of politics.

Economy

Turkey's economy ended 2014 with both promising macroeconomic indicators and heightening structural weaknesses. Enviably high growth rates saw Turkey preserve its reputation as one of the fastest expanding economies in the world. On the other hand, a lack of consolidated political and economic institutions, alongside a fragile currency-interest rate regime, has led domestic and foreign investors to question the economy's future trajectory. Besides, recent developments both globally and locally left Turkey's economy looking rather more fragile, reminiscent of the established 'middle-income trap' faced by developing countries. It is apt to state here that BRIC countries have already begun facing certain difficulties concerning sustainable growth rates, adding some bleak conjectures to the outlook for the Turkish economy.

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Consumers constitute the backbone of any economic system; hence their decisions are highly interconnected, not only with microeconomic institutions, but also with macroeconomic indicators such as the consumer price index (CPI) and consumer confidence index (CCI). According to the recent

Policy makers in Turkey must recall that political stability and ensuring rule of law are imperative for sustainable economic growth and development

TURKSTAT figures, the CCI started at 73 and ended at 67, an overall 8% decrease was spotted throughout 2014. Moreover, the index gets its highest value in April, after local elections in March; it can be argued that the temporary political stability would have an impact on this. However, there is an almost constant decline in consumer confidence after April. It is worth highlighting the fact that the record 67 calculated for December

is the lowest figure of the last four years in the Turkish economy, which signals a worrying message concerning consumer trust to the market conditions. Finally, it would be better to state that even though the CPI experienced a downward trend in its latest statistics, consumer confidence did not respond, indicating that price stability did not influence the average confidence level of the consumers.

In addition to consumers, entrepreneurs and their firms have an essential role in economic development in the sense that their economic activities are interwoven with microeconomic players in the market as well as the macroeconomic figures such as unemployment and GDP growth. Therefore, the institutional setting that frames the business arena of the firms becomes very relevant to the economic growth of the country. TURKSTAT's latest announcements on the indices related to firms and entrepreneurs, as indicated below, need to be scrutinised to take a snapshot of one of the significant actors of the economy.

The overall economic confidence index began at 95 in September 2014 and ended at almost 87 in February 2015, so an 8% reduction is observed during the last six months. Moreover, the index reaches its peak value in October, whereafter a dramatic fall (nearly 10%) is recorded in the index. This reduction in the overall economic index, which reflects the average confidence levels of construction services and retail trade sectors, signifies a distressing message regarding business trust in the current status of the market. Finally, whereas the retail trade sector has experienced a downward trend in particular in the last two months, service and construction sectors are on the rise passing from January to February.

To overcome the economic traps Turkey faces today, the rationale of the economic policies behind the previous prosperous periods needs to be revisited, and serious investment allocated to technological enhancement and R&D. In addition, policy makers in Turkey must recall that political stability and ensuring rule of law are imperative for sustainable economic growth and development. When all is said and done, economic performance is highly associated with the psychology of individuals, including consumers, entrepreneurs and international investors, all

of whom are susceptible to the adverse consequences of discriminatory attitudes from political figures. Turkey's aim of becoming a stabilised economy is highly contingent upon the microeconomic foundations of macroeconomic stability, including individuals, entrepreneurs and non-state actors. Thus, the Davutoğlu government should not follow its predecessor in preferring threatening language towards those in the business world who are in the opposition camp.

To realise economic targets, the independence of the Central Bank must be ensured as well as its protection from any political manipulation. In addition to that, it is indispensable for Turkey's sustainable economic growth and development to have sound and functioning supervisory and regulatory economic institutions, including the BDDK (Banking Regulation and Supervision Agency), SPK (Capital Markets Board of Turkey) and Sayıştay (Turkish Court of Accounts). As seen during the seizure of Bank Asya by the government through unlawful means, Turkey is suffering from the lack of an accountable government, a politicized legal system and dysfunctional regulatory and supervisory agencies, all of which have become apparent to international organizations and investors.

Conclusion

There is no doubt that Turkey's significance in its immediate neighbourhood makes many thoughtful and cautious about the path it takes. Also, Turkey is a NATO member, candidate state to the European Union and stands on the alternative energy route to alternative energy resources. Turkey's top ten trade partners are EU countries including United Kingdom, as it is a tourist destination for millions of Britons and second home to thousands. Therefore, escalation of any authoritarian tendencies or derailment from democracy and an abrupt shift in the foreign policy formulations outlined above would affect all those areas.

This report was put together through the collective effort, expertise and input of our research fellows. In terms of Turkey's democracy, rule of law and human rights records it covered Turkey's Kurdish peace process, corruption investigations, the presidential elections and general elections of 2015. In terms of Turkey's international relations the report covered Turkey's relations with Syria, ISIL, the United States and the European Union. What is more, in the light of domestic, regional and international developments, the report covered Turkey's economic achievements and challenges for 2014/2015. Overall, the report concludes that Turkey has regressed this year at a number of levels, in terms of its democracy, protection of human rights, rule of law, transparency and accountability and trust in politics as well as facing considerable economic challenges especially given its politicisation of the economy.

Turkey Institute is a London-based centre of research, analysis and discussion on Turkey. It offers high-quality analysis of the Turkish state and society covering foreign, domestic and economic policy with special interest in democratic governance, human rights and the rule of law. It organises high-level discussions on Turkey's current affairs drawing attention to any implications for Turkey-UK relations and provides regular media updates produced by a wide range of research fellows. Turkey Institute's work is intended to benefit policy makers, the media and other relevant stakeholders to enable a more nuanced and thorough understanding of a country whose politics is most convoluted but whose successes and failures have deep implications for the region and the wider world at a number of levels, including the political, economic, cultural and religious.

In addition to recent and a number of forthcoming publications, the Turkey Institute will also publish an annual Turkey Report providing succinct insight and analysis into the most significant developments of the past year. This first report is the outcome of the collective effort and input of our research fellows. The report begins by listing key developments in Turkey from May 2014 to June 2015. Thereafter the report is divided into three sections, the first on Turkey's democracy, rule of law and human rights, which covers Turkey's Kurdish peace process, corruption investigations, the presidential elections, and general elections of 2015. The second on Turkey's international relations, which covers Turkey's relations with Syria, ISIL, the United States and the European Union and the third on Turkey's economy. This short and to the point report is targeted at policy-makers and media in the UK and beyond.

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