

## FROM THE DESK OF THE EDITOR

Since the last issue of TPQ, Turkey and its people have weathered a major assault on its fundamental freedoms. The botched coup attempt on 15 July 2016 marks a significant turning point in the country's history and one which will have far-reaching implications for Turkey's political and social fabric, foreign policy, economy, and its relationship with the Euro-Atlantic community.

The post-July 15th environment offers both opportunity and significant challenges for the Turkish state. Domestically, the outpouring of political unity in response to the coup could, if fostered by the ruling party, mitigate some of the polarization and impasse that has characterized Turkish politics. The government now has a rare opportunity to ride the wave of unity and respect created by the Turkish people's collective commitment to democracy, and this will be crucial to bridge social divides and project stability to Turkey's neighborhood.

However, the multifarious challenges that Turkey currently faces could also be compounded by post-July 15th parameters. There are several issues of concern: Turkey's troubled relationship with Europe and the US, its backsliding with regard to democratic norms, and the state of the Turkish economy.

As always, TPQ's Summer issue primarily revolves around domestic and regional economic trends, with a particular focus on the post-July 15th economic climate. To that end, we are delighted to feature the economic visions of both the ruling Justice and Development Party (AKP) and the main opposition party, the People's Republican Party (CHP). Our other authors take stock of global economic dynamics – the regional energy game, climate change policies, and gender equality in the workplace – and their wider implications for sustainable development, stability, and prosperity. The perspectives in this issue are particularly relevant in light of Turkey's 2015 G20 Presidency, and the progress it has made on each of its three priorities – investment, implementation, and inclusiveness.

On the domestic economic front, Turkey's tourism industry – which accounts for approximately 4.5 percent of its 800 billion-dollar economy – is in crisis. A streak of terrorist attacks, the fallout with Russia over the jet downing incident, and the failed coup on July 15th, have resulted in a more than 30-percent drop in foreign arrivals since the beginning of the year. In addition, the material cost of the coup attempt, which is calculated to be around 100 billion dollars, puts a significant strain on an already struggling economy. Although Turkey was one of the few G20 countries that did not experience the severe recession of 2008, economic growth since 2014 has

stalled due to both internal and external instability. The cumulative effect of all these factors means that Turkey faces an uphill battle to meet the ambitious economic goals the government has set for 2023.

Looking beyond Turkey, the summer of 2016 is undoubtedly defined by Brexit. With the sobriety of September setting in, attention has turned to its aftermath, and in particular to its implications for Europe's economy, the UK's future relationship with the EU, and the refugee crisis. There is equal uncertainty on the other side of the Atlantic, with questions surrounding the impact the next US president's policies – either Democratic candidate Hillary Clinton or her Republican opponent Donald Trump – will have on the global economy.

With his post-attempted coup assessment from Ankara, AKP's Minister of Economy Nihat Zeybekci argues that despite the trauma incurred by the failed coup, Turkey's economic prospects remain robust and that key infrastructure projects will continue without disruption. Zeybekci points out that the blow to financial markets after the attempted coup could have been a lot more severe; instead, stock markets operated normally immediately thereafter, the Turkish Lira lost less value than was expected, and there was no extraordinary demand for credits. Looking forward, Ankara's road map for strengthening the Turkish economy includes accelerating exports, an asset fund that will allow Turkey to use its own capital for the execution of strategic projects, increased economic growth, and a more attractive investment climate. With many of these initiatives already underway, Turkey is confidently moving towards its 2023 economic goals, Zeybekci argues.

In her article, Selin Sayek Böke, spokesperson for the CHP and the deputy chair responsible for economic policy, provides her party's overview of the post-July 15th climate, highlighting a number of structural recommendations to overcome the ruling party's old habits, and propel the nation forward. Böke argues that Turkey is at a critical crossroads: either it will implement the necessary reforms to overcome dangerous socio-political polarization and stagnant economic growth, or it will "stick with mediocrity." According to Böke, deep structural problems, including compromised administrative capacity, have resulted in economic vulnerabilities – a decrease in GDP, dependence on foreign funds, rising unemployment, and inflation are just a few examples. In order to pave the way for inclusive economic growth, Böke outlines four pillars for reform: (1) an institutional overhaul to escape from the country's middle-income trap; (2) education and technology reform; (3) a rights-based welfare state to eliminate inequality; and (4) a new agenda for long-term sustainable development.

In this issue, some of Turkey's leading business figures share their vision on a range of topics from world trade agreements and the economic fallout of Brexit, to women's participation in the workforce.

Tarkan Kadooğlu, president of the Turkish Enterprise and Business Confederation (TÜRKONFED), discusses the Transatlantic Trade and Investment Partnership (TTIP) from a global perspective, and analyzes the impact Brexit will have on its framework, as well as the benefits to Turkey's inclusion in the agreement. Kadooğlu touts TTIP as a game-changing trade agreement that will reshape global trade rules, however, points out there is great deal of uncertainty surrounding its fate. While Brexit could have potentially negative repercussions for TTIP's potential, Kadooğlu notes that it has opened the door to reevaluating the architecture of the trade agreement. He argues in particular that accelerating engagement with third countries and EU candidate countries, like Turkey, is crucial to enhancing the deal's economic benefits. To that end, TÜRKONFED has concluded through its own research on the impact TTIP will have on small and medium-sized Turkish enterprises (SMEs), that including Turkey in TTIP through a "docking mechanism" would be the most sustainable long-term option. Given that Turkey is deeply integrated into the European economy, its exclusion would be detrimental to creating an inclusive, "truly Transatlantic deal."

Gender equality in the workforce is a key aspect of sustainable development, which is a broader theme that runs through many of the articles in this issue. Zeynep Bodur Okyay, president and chief executive officer of Kale Group, Turkey, addresses this topic in the context of women's participation in the Turkish workforce. As a pioneering female entrepreneur herself and president of the Steering Committee of C20 (Civil 20) during the Turkish Presidency of G20 in 2015, Okyay leverages her personal experience working in a male-dominated sector to argue that women's economic empowerment is a prerequisite to sustainable economic development and making Turkey a success story. She claims that gender inequalities are deeply rooted in Turkish society, and with the advent of the Fourth Industrial Revolution or Industry 4.0, which includes cyber-physical systems and a range of new technologies, current inequalities may be exacerbated. Industry 4.0 will bring significant change to the labor force, endangering jobs that women have traditionally held and introducing more jobs in science, technology, engineering, mathematics (STEM), and IT. In order to prepare for the impending change, Okyay argues that awareness must be raised when girls are young, and that they should be encouraged to enroll in STEM studies in Turkey.

Also exploring the dynamics between women's involvement in the business sphere and long-term sustainable economic development, Özlem Denizmen, founder of

the social enterprise *Para Durumu*, argues in her article that greater emphasis must be placed on women's financial literacy, which will in turn make women more financially independent. Drawing upon her observations and experiences, Denizmen points out that one of the main reasons women do not feel adept with financial matters is a lack of confidence. Once harnessed, however, women's unique skills can propel the global economy further, and the number of women in senior company positions will mushroom. With regards to the critical role women play in advancing the global economy, Denizmen highlights several studies which have concluded that women-led companies perform three times better than the Standard & Poor's (S&P) 500 and achieve more successful growth.

In his piece, Ambassador Mithat Rende, former chairman of the Organisation for Economic Co-operation and Development (OECD) Executive Committee, discusses the new paradigm needed to strike a balance between robust economic growth and sustainability. The Sustainable Development Goals (SDGs) outlined by the UN General Assembly in 2015 and the Paris Climate Change Agreement mark historic steps towards achieving this, claims Rende. Approaching the topic through the lens of energy sustainability, Rende argues that harnessing renewable energy sources and increasing nuclear energy capacity, while curbing CO2 emissions will go a long way towards securing inclusive and sustainable economic growth for future generations. However, in order to achieve large-scale sustainable impact, a strong public-private sector partnership must be fostered, asserts Rende.

In her article, E. Oya Özarıslan, chair of Transparency International Turkey, addresses the country's deep-rooted corruption problem. The author notes that 2013 was a pivotal year as it was tainted with the biggest corruption scandal to date. However, the July 15th failed coup attempt three years later uncovered even more corruption, and as a result, it is the perfect time to grapple with this endemic problem. In light of its very low ranking on a number of international corruption indices, Özarıslan states that Turkey is tackling corruption only half-heartedly. In order to successfully fight this persistent issue, the author argues that a number of changes must be made, namely passing reforms for better governance policies, and reducing impunity in corruption-related offences. Turkey is at a critical turning point, and despite the country's poor track record in dealing with corruption, Özarıslan concludes on an optimistic note, claiming that the failed coup attempt is a blessing in disguise as it provides an opportunity to tackle the issue once and for all.

In a joint article, Yves Leterme, secretary-general of the International Institute for Democracy and Electoral Assistance (IDEA) and Sam van der Staak, senior programme manager with International IDEA's Wider Europe Programme, explore the

dynamics between active citizenship and political representation by looking at different political movements across Europe. The authors point to several prevailing trends that are redefining the relationship between citizens and their representatives: decreasing confidence in political and institutional authorities, declining political party membership, the popularity of citizen protests, and the use of social media as a medium for citizen engagement. Online activism is one of the most potent of these trends as it allows citizens to take part in public debate without needing to rely on elected representatives to carry their messages. As traditional political parties are losing popularity, Leterme, who was also the former prime minister of Belgium, and van der Staak argue that political movements are gaining ground for several important reasons: their capacity to mobilize, their ability to engage directly with citizens, and their tendency to be financially transparent.

Commenting on the government's recent efforts to normalize relations with its key neighbors – Russia and Israel – Ambassador Ünal Çeviköz, president of the Ankara Policy Center (APM), argues that it has provided Turkey with an opportunity to enhance its role in the regional energy game throughout the Mediterranean and the Black Sea. Çeviköz a former career diplomat who served as Turkey's Ambassador to Azerbaijan, Iraq, and London respectively, poses the question of whether Turkey can be an important energy transit country or an energy trade hub. In answering this question, Ambassador Çeviköz differentiates between Turkey's prospects with regard to oil and natural gas. In terms of the former, Çeviköz argues that Turkey is a significant transit country due to the Baku-Tbilisi-Ceyhan oil pipeline that carries Caspian oil from Azerbaijan, the Kirkuk-Ceyhan pipeline transporting Iraqi oil, and the Turkish Straits. In natural gas, Turkey cannot be considered a significant transit country yet, although it is well on its way to becoming one given its significant stake in the Southern Gas Corridor (SGC) in the form of the Trans-Anatolian Pipeline (TANAP). Despite key opportunities to the north (Turkish Stream) and south (Eastern Mediterranean basin), Turkey will not become a commercial gas trading center in the near future, claims Çeviköz. For Turkey to achieve this goal, Çeviköz asserts that several issues need to be addressed: physical infrastructure, gas storage and LNG terminal capacity, regulatory measures, and BOTAŞ' monopoly.

In their co-authored piece, Dr. Volkan Ş. Ediger, professor of energy at Kadir Has University and Duygu Durmaz, research assistant at the University's Strategy Development and Research Office (STRAR), trace the evolution of Azerbaijan-Turkey energy relations since the break-up of the Soviet Union in 1991, and evaluate Turkey's performance in the energy upstream and midstream projects developed between Turkey and the Caspian states. The authors group these events into nine "game" concepts to highlight the geopolitical competition that has emerged among

major regional and international powers in the energy sphere. The dissolution of the Soviet Union opened the regional energy game up to new players, namely the West and Azerbaijan. However, it was not until 1994 that Azerbaijan, under Heydar Aliyev's leadership, started to become the center of the Caspian oil industry. It was also Aliyev's pragmatic leadership that facilitated a strategic partnership between Turkey and Azerbaijan, which is one that has grown in scope over the years. The growing strategic partnership between the two countries has crystalized into the Trans-Anatolian Pipeline (TANAP), which is a critical component of the Southern Gas Corridor (SGC), and one which will strengthen Turkey's bid to become a regional energy hub, argue Ediger and Durmaz.

Two of our authors evaluate the rapidly changing energy landscape of the Eastern Mediterranean. Dr. Charles Ellinas, a nonresident senior fellow with the Atlantic Council's Eurasian Energy Futures Initiative, explores the energy triangle between Egypt, Israel, and Cyprus, and in particular the challenges these countries face as they seek to develop new gas sources in the region amid uncertain economic and political conditions. The discovery of the 850 billion cubic meters (bcm) natural gas field, Zohr, off the coast of Egypt, will have important strategic implications for Egypt's energy prospects, as well as for the Eastern Mediterranean region, posits Ellinas. In terms of its implications for Egypt, the author claims that the additional supplies from Zohr will go towards the country's gas-hungry domestic market, which has been suffering natural gas supply shortages over the years. According to Ellinas, the Zohr discovery has limited export options for both Israel and Cyprus (with the Egyptian market saturated), which strengthens the energy balance of Egypt in the long-term, but also highlights the importance of increased regional cooperation in order to exploit Israeli and Cypriot resources. Turkey is an attractive export option, and the normalization of Turkish-Israeli relations, as well as the talks between the two Cypriot communities, indicates that a cooperative regional development framework may not just be a pipe-dream.

In their article, Dr. Constantinos Adamides, assistant professor of International Politics and Director of the Diplomatic Academy at the University of Nicosia and Christou, and Dr. Odysseas Christou, assistant professor of Government, International Law, and International Relations at the University of Nicosia, zoom into a conflict that has a significant bearing on Eastern Mediterranean energy dynamics – the Cyprus problem. In parsing the energy triangle of Turkey-the Republic of Cyprus (RoC)-Israel, Adamides and Christou approach the topic from two different perspectives: whether newly discovered hydrocarbon resources in the region can be a catalyst to resolving the decades-long conflict, and conversely, whether the resolution of the Cyprus problem can facilitate regional cooperation and peace. A

string of new energy discoveries in the East Med has engendered optimism about the potentiality of the former, however, the authors argue that energy is more likely to exacerbate tensions in securitized political relations. According to the authors, the reverse causal pathway – Cyprus’ resolution as a catalyst for the desecuritization of regional relations – is also unlikely to bear fruit due to the highly complex security relations between the three countries.

Dr. Ümit Şahin, senior scholar and coordinator of Climate Change Studies at Sabancı University’s Istanbul Policy Center (IPC), presents an overview of Turkey’s climate change policies in relation to the significant turning point of the Paris Agreement, and highlights areas in which Turkey can strengthen climate governance. According to Şahin, Turkey’s “frozen policy” with regard to climate change derives from an entrenched institutional framework whereby Turkey consistently seeks privileges and “special circumstances” when it comes to ratifying climate change policies. Dr. Şahin poses an important question: given the fact that Turkey essentially “missed out” on past negotiations, will it also chose to miss out on the next era of negotiations?

Dr. Panagiota Manoli, assistant professor of International Political Economy at the University of the Aegean, provides insight into the 2010 Greek economic crisis and its unique nature. The Greek economy faced a near collapse in May 2010 – its GDP has declined by 26 percent since 2008, and 25 percent of the nation remains unemployed. It was in this context, the author explains that Greece sought financial assistance from the EU. Manoli highlights that not only was Greece the first ever Eurozone member to do so, but the financial assistance provided was the largest offered to a national economy to date. This Greek tragedy, Manoli points out, was a turning point for the EU, as it led to the establishment of a new paradigm for dealing with economic governance rules and raised doubts about European integration. The author concludes that the Greek economic crisis will remain unprecedented both in terms of what the bailout entailed, and the extent of the systemic repercussions for the EU.

In his article, Dr. Paul Thompson, a postdoctoral research fellow at the University of Kwa-Zulu Natal, South Africa, focuses on the emerging economic model of state capitalism in the United Arab Emirates (UAE). State capitalism plays a significant role in the economy of Dubai, argues Thompson, where the government led by Sheikh Al-Maktoum exercises it through a slew of investment vehicles, including Dubai Holding, Dubai World, and the Investment Corporation of Dubai. The result is a blurring of the state’s own assets with that of the ruling family, which poses risks to the sustainability of Dubai’s economy, posits Thompson. However, despite the shortcomings of the Dubai model – labor abuses, lack of political pluralism, and

an over-reliance on government related entities (GREs) – Thompson argues that this hybrid model of autocratic state capitalism has ultimately contributed to Dubai’s exponential economic growth and helped it avoid the rentier state curse syndrome.

On an editorial note, I would like to take the opportunity to thank Ayla Gürel for her contribution to TPQ’s Spring 2016 issue. Due to an oversight, Ayla’s name was omitted from the cover next to her co-writer Harry Tzimitras in their article “Cyprus Settlement Negotiations: From Euphoria to Reality.” We take this mistake seriously and extend a special thanks to Ayla for her understanding.

Since the release of our last issue, we have featured three blog posts on our website in an effort to provide our readers with fresh opinions on current affairs as they develop. In June, we featured Georgios Stavri and Ljiljana Jakovlevic’s piece, “Post Election Analysis of the Greek Cypriot Parliamentary Elections of 22 May 2016,” which was a follow up to their first opinion piece in May. In their blog, they argue that post-election political reverberations are just beginning, and that they carry far-ranging implications for internal Greek Cypriot politics, as well as the fate of the ongoing Cyprus negotiations. Ambassador Marc Pierini, who is also member of TPQ’s Advisory Board, touches upon Brexit’s short and long-term consequences in his piece “The Many Foreign Policy Fallouts of Brexit.” From a general political perspective, Pierini questions the future of EU enlargement policy, ongoing visa facilitation discussions, the refugee crisis, and the UK’s contribution to the EU budget. Ann Pettifor discusses the domestic consequences of Brexit for the UK in her piece “What Awaits Britain After Brexit?” Among the political and economic threats Pettifor highlights are the possible break up of the United Kingdom, rising xenophobia, and Britain’s high account deficit.

We would like to extend special thanks to Yapı Kredi, the premium corporate sponsor of this issue. In addition, we would like to thank our online sponsor, Garanti Bank. We also appreciate the continuing support from our other corporate sponsors: Borusan Oto/BMW, BP Turkey, Citroën, Esen Yacht, Finansbank, Gordon S. Blair Law Offices, Halifax International Security Forum, Monaco Tourism Authority, Odea Bank, STFA, TEB, and Turcas Petrol.

A very special acknowledgement goes to our long-standing media partner *Hürriyet Daily News* for the outreach they continue to provide.

As always, we thank the authors of this issue for sharing their expertise and opinions, and welcome feedback from our readers.

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