

## FROM THE DESK OF THE EDITOR

Over the last couple of years, Turkey has weathered multiples storms in close succession: two general elections that took place in a polarized political climate, an escalation of the Turkey-PKK conflict, a crisis with Russia, the 2016 failed coup attempt followed by state of emergency measures, and the continued threat of terrorist attacks. The aftermath of the constitutional referendum in April changing Turkey's system from a parliamentary to a presidential one – approved by 51.4 percent of voters – will continue to have ripple effects domestically. Meanwhile, Turkey's relations with its Western allies have been on a continuous downward spiral. With presidential elections scheduled for 2019 and the prolongation of emergency rule conditions, Turkey's quest for stability remains elusive.

The extent to which the Turkish economy has been resilient to political shake-ups is a subject of debate among both policymakers and economists. While some argue that the shift to an executive presidency will positively impact the economy and contribute to job creation and growth, others have identified the risks of what they consider to be a short-sighted economic policy. The ruling Justice and Development Party (AKP) is cognizant that it owes much of its success and longevity to economic prosperity, and therefore will focus more of its efforts on the economy in the run-up to the 2019 elections. If the Republican People's Party (CHP) means to pose a meaningful challenge to President Erdoğan, it will have to make clear its strategy for the Turkish economy.

As has become a tradition, TPQ's Summer issue revolves around sustainable development issues and domestic economic dynamics. This year's issue has a particular focus on engines of growth and sources of stability for the country, including entrepreneurship, innovation, Industry 4.0, and gender equality in the workforce. Against the backdrop of the country's growing economic and political risks, our authors evaluate the resilience of the Turkish economy and recipes for good governance and growth.

In an exclusive interview with TPQ, Kemal Kılıçdaroğlu, the leader of Turkey's main opposition party, the Republican People's Party (CHP), reflects on the 'Justice March,' CHP's evolution, and the state of affairs in Turkey. Calling the 'Justice March' a "turning point in Turkey's political history," Kılıçdaroğlu underlines the fact that the march was a national quest for justice and therefore rose above party politics. He reiterates his appeal for the government to lift the state of emergency imposed after the 2016 failed coup, which was followed by a crackdown in which approximately 50,000 people have been arrested and 150,000 state employees have been suspended, including scores of journalists and academics. He expresses his

conviction that the independence of the judiciary, freedom of the press, and a parliamentary democratic system – all under siege in the country – are absolutely critical for democracy. Responding to a question about tactics of opposition, Kılıçdaroğlu emphasizes that CHP altered its approach by going to the streets because it had no other alternative. Although painting a dim picture of the state of Turkey’s democracy, Kılıçdaroğlu says that the ‘Justice March’ has galvanized the opposition and he remains hopeful about the future of the country.

Taking stock of Turkey’s industrial advancement is Dr. Faruk Özlü, Turkey’s Minister of Science, Industry and Technology from the Justice and Development Party (AKP). Industry 4.0, also known as the fourth Industrial Revolution, is a process that not only boosts economic growth, but also encourages social transformation – which in turn facilitates the transformation of industry. According to the author, the digital technological revolution – referring to the advancement of technology from traditional mechanisms to digital electronics – will have an impact on all aspects of society. The global digital health market, for example, will grow to 233 billion dollars by 2020. Turkey’s industry is “at a fork in the road,” Özlü explains, and producing smart manufacturing systems is key to increasing the country’s competitive edge in a sustainable manner. Minister Özlü argues that riding the digital transformation wave will affect the labor force markets, global trade, and increase medium and high-tech products. He explains that the Ministry of Science, Industry and Technology has established six working groups with aims ranging from outlining technological infrastructure to the use of digital technology, as well as education. Aspiring to prepare a “road map” by the end of the year, the working groups are set to play a key role in digitalizing the industry. Ultimately, Özlü asserts that Turkey must advance its global industrial position such that the country produces its own technology, rather than importing it.

Mehmet Bostan, who until recently was Chairman and CEO of the Turkish Wealth Fund (TWF) and Mustafa Ergen, Chief Advisor in Technology and Investment at the TWF, take up the subject of sovereign wealth funds (SWFs) in their co-authored article. Established in the 1950s as government-owned investment vehicles to boost national economies, SWFs have since cemented their role as key drivers of the entrepreneurial economy. The authors outline several tips for a successful SWF including building trust, establishing the Fund’s image, having a start-up mindset, and subjective decision-making. Focusing on the Turkish Wealth Fund – which was recently accepted as a member of the International Forum of Sovereign Wealth Funds in August 2016 after an evaluation process – Bostan and Ergen explain how the Fund can foster sustainable growth, create additional jobs in all sectors, and ensure advancements in technology that will translate into a competitive advantage for the

country. This is to be achieved by adhering to the following four goals: improving the global footprint of state-owned corporations; empowering the local entrepreneurial economy; investing in national and international venture, and improving engagement with the academic environment. Aiming to be the “investment gate of Turkey,” the TWF is instrumental in boosting Turkey’s entrepreneurial ecosystem.

Also taking up the topic of sustainable growth for the Turkish economy is Roger Kelly, Lead Regional Economist at the European Bank for Reconstruction and Development (EBRD) in Turkey. Kelly asserts that while the economy has shown resilience to political and geopolitical volatility, a model less reliant on domestic sources of demand is necessary for long-term economic growth. He underlines the importance of Turkey undertaking structural reforms in order to attract foreign direct investment (FDI) which has been in decline since 2007, make greater use of its human capital, and improve the country’s competitiveness. Kelly also addresses Turkey’s labor market inefficiencies, particularly the problem of informal employment, arguing that the impact on the market is two-fold: productivity decreases due to firms’ inability to “adjust to technological and market changes that require labor reallocation” and formal employment is disincentivized. Kelly emphasizes that economic inclusion is vital to reducing skills gaps and ensuring the flexibility of the labor market, which the EBRD is working to address in Turkey in collaboration with the private sector.

Another key driver of sustainable growth is entrepreneurship, which is a topic Hansın Doğan, Private Sector Manager of the United Nations Development Program’s (UNDP) Turkey office, explores in his article. Doğan argues that Turkey is starting to develop a more sophisticated economic ecosystem which is allowing entrepreneurship to thrive – i.e. an integrated environment that encourages startups and enables entrepreneurial ventures to develop and take hold. The UNDP has been an essential actor involved in that effort, the author points out, as it organizes joint meetings and researches the needs of startups. He also stresses the importance of maximizing the impact of youth entrepreneurship in Turkey, which will contribute to poverty reduction and develop the dynamic and innovative human capital necessary for the future. The same goes for promoting female entrepreneurs, argues the author; Turkey has prominent companies founded by female entrepreneurs that can provide inspiration to other young women. Doğan acknowledges the role the government has played in laying the groundwork for an entrepreneurial ecosystem, and argues that the environment is ripe for success given Turkey’s young and relatively educated workforce.

Two of our authors discuss gender equality as it relates to the country’s stability and sustainability in the long run. Aylin Nazlıaka, an independent member of the Turkish

Parliament and the Deputy for Ankara, approaches women's rights in Turkey both on a societal and a political level. Pointing out that the country is a strongly patriarchal society, Nazlıaka argues that a woman's experience is characterized by the pressure to adhere to restrictive models and to fulfill traditional roles. This is compounded by the political discourse propagated by the ruling Justice and Development Party (AKP), claims Nazlıaka. She highlights occasions in which women who choose careers over motherhood are referred to as "deficient" or "denying their femininity." The emphasis placed on women as caretakers and mothers can lead to an unequal share of responsibility in the home, asserts the author, which is reflected in government policies such as maternity and paternity leave. In Turkey, she points out that paternity leave ranges only between two and 10 days, albeit this is an issue that continues to plague most countries in the world. In the Turkish workforce, women contend with a host of inequalities ranging from inappropriate and misogynistic comments to unequal pay. Turkey's low ranking on the World Economic Forum's 2016 Global Gender Gap Report (130th out of 144 countries) is a testament to the country's poor progress in this regard, highlights the author. In order to advance women's rights in Turkey, Nazlıaka argues that the government must produce policies that can begin to chip away at the country's patriarchal mindset by creating equal opportunities in education and encouraging women's participation in politics.

Echoing many of Nazlıaka's points, Ürün Güner, a member of the Executive Board of a women's organization, Flying Broom (*Uçan Süpürge*), women's organization, highlights several areas in which women's rights in Turkey have regressed. She refers to proposed amendments by the ruling party to the Populations Services Law, which would determine criteria related to marriage based on religious rather than legal grounds, as particularly damaging to girls and women. Güner also makes the case for the higher representation of women in politics, citing Turkey's disappointing record with regard to women holding influential positions in government. Female activists must continue to fight on the national and international level to fight gender inequality, asserts the author. In that vein, the author explains that Flying Broom is playing an important function as a networking hub for various women's organizations around the country. The fact that Flying Broom was established in Ankara is crucial towards helping organizations become part of the legislation process, states Güner.

A couple of our articles discuss geopolitical developments in the region and implications thereof for Turkey's role on the international stage.

Former Ambassador from Turkey to Qatar and former chair of the Organisation for Economic Co-operation and Development (OECD) Executive Committee, Mithat Rende, parses the energy and political dimensions of the Qatar diplomatic crisis

which started in June 2017. Bristled by Iranian efforts to extend its influence in the Arab world and Qatar's alleged support for so-called terrorist groups, Saudi Arabia together with the United Arab Emirates, Bahrain, and Yemen from the Gulf as well as Egypt and the Maldives, severed diplomatic relations with Qatar and placed it under a blockade. Rende argues that the Saudis viewed Iran's return to the international community and the global energy markets as a threat to its vital interests in the region, as well as to its oil exports. However, according to the author, Qatar pursued a foreign policy geared at both maintaining cooperation with the Gulf Cooperation Council (GCC) and having a dialogue with Iran. The fact that Qatar and Iran share the world's largest single natural gas field – the South Pars/North Dome field – constitutes an important reason for maintaining dialogue, states Rende. The former Ambassador asserts that the prolongation of the crisis would adversely affect all sides, but ultimately it is the people of the region that will suffer from a disruption in the trade, tourism, air travel, and services sectors. He emphasizes that it is in the Saudis' benefit to respond positively to mediation efforts in order to safeguard its own interests in the region and prevent Qatar from enhancing its relations with Iran, Turkey, and other countries. If the crisis persists, Rende warns that the stability and order of the Gulf region could be further thrown askew.

In a joint article, Dr. Rıza Kadılar, Founding Chairman of China Institute Turkey, and Erkin Ergüney, an analyst at China Institute Turkey, discuss the One Belt One Road (OBOR) Initiative. – an ambitious project which envisions the construction of road and sea connections between China through to Europe. Turkey's involvement is crucial, argue Dr. Kadılar and Ergüney, both as a means of enhancing its regional role and as a means of facilitating greater stability in its conflict-ridden neighborhood through investment. They assert that increased connectivity via the OBOR Initiative. could go towards diffusing tensions between countries. Furthermore, the authors point out that if Turkey is not proactive about its participation, it risks being bypassed, which would negatively impact the country's competitive edge in the movement of goods.

One of the articles in this issue takes up the topic of climate change. On an editorial note, US President Donald Trump's decision to withdraw the United States from the Paris Agreement as “a reassertion of America's sovereignty” is a huge step backwards in efforts to reduce carbon output, as well as a retrenchment of US leadership.

In her article, Özgül Erdemli Mutlu, the Director of Environmental Policies and International Relations at The Turkish Foundation for Combating Soil Erosion (TEMA) examines the impact and shortcomings of the 2016 Paris Agreement, as well as how non-state actors can and should play a greater role in combating climate

change. Mutlu highlights that the Paris Agreement is an important achievement for international diplomacy, and identifies its long-term mitigation goals and capacity-building focus as significant achievements. However, she criticizes the non-binding nature of the agreement and argues that the pledges made by the signatories are not ambitious enough. The author contends that non-state actors, local governments, and NGOs can play an important role in compensating for some of the Paris Agreement's limitations. For example, she points out that mayors of metropolitan cities globally are already pursuing their own programs to reduce emissions and introduce urban planning that is climate change conscious. Combating climate change on the local and urban level is just as important as on the national level, underlines Mutlu.

It has also become a tradition to include a book review in our Summer issues, and this year Semuhi Sinanoğlu, a Fellow of the Jeanne Sauvé Foundation, based at McGill University in Canada, analyzes Steven A. Cook's *False Dawn Protest, Democracy, and Violence in the New Middle East*. Steven A. Cook, a former contributor of TPQ, draws upon his policy-making experience in the US to provide insight into the post-Arab Spring trajectories of Turkey, Tunisia, Libya, and Egypt. In his critique, Sinanoğlu points to Cook's nuanced narrative of how events unfolded in the region and his insight into why policy experts failed to foresee the Arab uprisings and its aftermath as among the book's strengths. However, Cook's main thesis – that the Arab revolutions were not revolutions at all because they did not lead to a fundamental alteration of social and political power relations – downplays the significance of the revolutionary movements, according to Sinanoğlu.

We are delighted that TPQ will participate in the annual Halifax International Security Forum this November as part of our partnership, which will provide us with an opportunity to expand our network and learn more about the complex issues that we take up in our journal.

We are also pleased to have established a partnership with the Turkcell Dergilik application, which allows readers to access TPQ issues on all mobile platforms. We anticipate this collaboration will strengthen TPQ's overall digital visibility and accessibility.

We would like to extend a 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 sponsors: BP Turkey, CITAM (China Institute Turkey), Halifax International Security Forum, Kale Group, Monaco Tourism Authority, Odeabank, QNB Finansbank, TEB, and Turcas Petrol.

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As always, we are indebted to the authors of this issue for sharing their expertise and opinions. As our readers, please share your feedback.

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