

# OVERVIEW OF THE TURKISH ECONOMY AFTER JULY 15TH

*While the 15 July 2016 attempted coup presented a major attack to the Turkish Republic, the economic fallout will be limited and short-term. The unanimous solidarity demonstrated against the coup-plotters has strengthened the country's resolve and reinjected confidence into the economy. Assessing Turkey's economic trajectory in the post July 15th climate, the author argues that the country will continue to be attractive to investors, projects and reforms will go forward, and exports will increase. Furthermore, several initiatives initiated by the Justice and Development Party (AKP) – notably the Turkish Asset Fund and a new incentive system – will facilitate Turkey's 2023 goal of becoming one of the world's top economies.*

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**I**n the aftermath of 15 July 2016, our nation and our economy both faced a serious test, but the gears of the Turkish economy continued to spin without disruption. The stock markets in Istanbul opened and operated normally on Monday, July 18th immediately following the events. The Turkish Central Bank's Money Policy Board did not postpone any of its decisions. On the contrary, it continued with the discounts it is implementing on the upper band of the interest rate corridor. Markets responded positively to this resolve and the precautions that were taken. The Turkish Lira lost less value than some international agencies were expecting. Our citizens demonstrated their confidence in the country starting the first night. There were no significant withdrawals on deposits and no extraordinary demand for credit. When viewed as a whole, these developments demonstrate that our economy, like our democracy, is built on very solid foundations.



Current and potential foreign investors were given detailed and regular briefings even under these circumstances. In the first quarter of 2016, Turkey was one of the fastest growing countries in the OECD and Europe, with a growth rate of 4.8 percent. Investors have been informed that Turkey is expected to continue this performance throughout the year.

The Turkish economy has continued its course of strong and stable growth while continuing to reduce its current account deficit in 2016 after the 26.1 percent decline in 2015. Our current account deficit fell 13 percent to 19.1 billion dollars in the most recent period of January-June 2016. Turkey is also a country whose growth performance has had a positive impact on the labor market. Our unemployment rate in May 2016 was 9.4 percent, which is the second lowest rate in the last 12 months.

Turkey continues to be an attractive place in terms of investment, and there will be no disruption to the reforms and projects we will implement to make it an even better place to invest. In fact, we will work even harder to strengthen our economy thanks to the solidarity demonstrated against the coup-plotters and these projects and reforms will be implemented even more quickly. Our focus in all of these efforts is for a new push in the area of exports. Therefore, we will mobilize all of our forces

to support investors, producers, employers and exporters, just as we have done in the past.

However, Turkey has no fund or a similar resource to achieve its goal of becoming one of the world's top economies, which is a serious handicap, so it established the "Turkish Asset Fund" (*Türkiye Varlık Fonu*) on 26 August 2016 to overcome difficulties in this regard. This fund will not only facilitate

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the financing of strategic investment projects in our country, but it will also provide depth to our capital markets. The Asset Fund is a very important and strategic vehicle for taking advantage of the potential that Turkey has possessed in the form of long-term income, but has been unable to leverage until now. The Fund will be structured based on similar examples around the world, and as a significant foreign policy instrument, it will give Turkey a greater voice and more maneuverability in the international arena. Instead of going to other countries, financing institutions, and agencies and asking for their resources to finance the joint ventures we have undertaken with countries, we will use our own capital to execute projects that we view as strategic.

We must take full advantage of Turkey's position in this respect. As the famous philosopher İbni Haldun said, "geography is our destiny," and we must carefully consider what this destiny will mean for us. Some of the countries in Africa and the Middle East, with whom we share a long history, also comprise our traditional markets. Our contractors execute numerous projects in these markets, and our exporters can also be leaders in these markets. Our companies have achieved some very impressive accomplishments both in terms of investment and contractor projects. But we must be clear about one thing. Some of the countries that are traditional markets for us are viewed as risky by international financial institutions, and funding requests made by our companies either for investment or exports are either rejected or come at a very high price. Our Asset Fund will provide support to facilitate the business our companies do.

One of the most important things we have done recently is our new incentive system, which will be a system that helps use public resources more efficiently while satisfying investors and accelerating investments by making it possible to accurately identify needs on an investment project basis and provide direct, need-based state support. The new regulation will meet our country's current and future needs,

ensure supply security, reduce foreign dependency, and help achieve our technological transformation with “project-based” high added-value investments that are innovative and R&D intensive.

All of these developments clearly demonstrate that our economy is on a good trajectory. Obviously, there are aspects of our economy that we wish were better, and we shall continue to strive to improve these areas. In the future, we hope to see a Turkish economy that grows much faster and employs a larger number of people due to the implementation of our reform packages.

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In addition, our Ministry of Economy is coordinating a number of visits from Europe to the Far East and from the Gulf to America in 26 countries which are expected to last approximately two months. These visits will assess our bilateral economic and commercial relations with Turkey’s leading trade and investment partners. The aspects of our new investment incentives and opportunities for investment and doing business

in Turkey will be explained, and we will send the message that our economy is standing strong in the aftermath of the failed coup of July 15th.

The business community in the countries we visit is well aware of Turkey’s recent economic performance, and they want to learn more about the steps we will take to improve the investment climate in our country. We are not only telling them about our domestic market of 79 million people, but also our experience with countries in the region, which we call “our culture of geography,” and we are inviting foreign investors to our country. As we explain these things, we see that the questions about the future of our country disappear one by one and that many more companies are requesting more detailed information about investing in Turkey.

In conclusion, the treacherous attack of July 15th that threatened the future of our country was defeated because as a nation we laid aside our ideological and philosophical differences and our political views and stood in unity. From this point forward, our country’s economic future will be much brighter. Turkey will move forward with confidence towards its 2023 Goals. I have absolute confidence that every segment of our society with a role to play will act responsibly and do their best for the future of our country.