

AFTER ERDOGAN, WHAT NEXT?

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One book in four parts:

POLITICAL ISLAM STRIKES BACK
EEZ, CYPRUS & CONFLICTS IN THE MEDITERRANEAN
THE GROWING THREAT OF THE KURDISH PROBLEM
AN IN-DEPTH LOOK AT THE TURKISH ECONOMY

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The protracted political hegemony of the Neo-Ottomans and the radical changes to state apparatuses, in particular, lead to the conclusion that a change in polity has already taken place in Turkey. Prime Minister Recep Tayyip Erdogan dominates not only the political stage; he has gradually but decisively weakened the traditional might of the Joint Chiefs of Staff. Today, the Turkish state is no longer under the control of the Kemalists, as was the case prior to 2002. The Neo-Ottomans have, to a large degree, managed to take control of state apparatuses like the police, the MIT secret service, and the judiciary branch. They have even gained a strong foothold in the armed forces.

For the moment, the political hegemony of the ruling Justice and Developing Party (AK Party) appears to be undisputed. This is due not only to the continuous political decline of the Kemalist main opposition CHP party (Republican People's Party). This is primarily due to the fact that the Neo-Ottomans continue to express "deep Turkey." The members of the middle class who supported Erdogan did so not because they agreed with him ideologically, but because they considered him to be a force that would act as a counterweight and weaken the military-run bureaucracy and the paternalism that it exercised over the nation's political life. Now, however, that the military-run bureaucracy has to a large degree lost its bite, these westernized middle class strata have grown dissatisfied with Erdogan's inclination to redevelop paternalistic state frameworks, manifest his own autocratic tendencies, and edge towards forms of Islamic conservatism.

If the year 2011 marked the climax of the Neo-Ottomans' political hegemony, 2012 signaled the beginning of the challenge to this hegemony. Likely, at some point in the future the AK Party will lose the elections and its leadership of the government. Even if the Kemalists return to power, though, Turkey will not return to the state that it found itself in prior to 2002. In other words, the post-Kemalist regime has already disintegrated and it is impossible for it to piece itself back together.

For practical purposes, this means that the state will never again become the fiefdom of one political party. The transition from a paternalistic parliamentary democracy to an independent one has already taken place, or is at least taking place. From now on, voters will not just be rewarded with the formation of a government on election day, but have a share in political authority. In this sense, regardless of the Neo-Ottoman government's mentality or intentions, democracy in Turkey has taken a major step forward, even if a new balance has not yet crystallized.

Following his election victory in 2011, Erdogan essentially believes that he has won the war against the military-run bureaucracy. That is precisely why he is using his present advantageous position to try and formulate the terms of political coexistence with the law-abiding Kemalists within the framework of a functional parliamentary democracy. Besides, the AK Party does not advocate a complete break with Kemalism. Rather, it advocates transcending it during an era when it has long since turned into an inhibitive factor – a force that will bring about Turkey's decline.

Of course, Erdogan's Neo-Ottomanism does not represent a return to Ottoman times, nor could it. On an ideological level, it is a particular type of synthesis of Ottoman tradition with Kemalism and political Islam. The "Turkish-Islamic Synthesis" is not just an ideological construct. It is the result of an osmosis that has essentially taken place across many sectors

between Kemalism and political Islam in recent decades. And this has occurred in spite of their fierce rivalry for power.

Aside from ideological and institutional reasons, Erdogan's overtures to the law-abiding Kemalists also have a closely related political motive. He aims to weaken the influence of the Gülen brotherhood, which is operating as a second – informal, yet powerful – center within political Islam. In other words, Erdogan's political priorities have changed after neutralizing the "deep state." He now aims to indirectly weaken the brotherhood because he feels that it is asking for too much and applying pressure on him.

In order to accomplish this, he is allowing the law-abiding Kemalists some breathing room so they can act as a counterweight to the Gülen brotherhood. In this way, he himself will end up being the undisputed ruler/referee. In contrast to Erdogan, however, who is a political figure and thus has a limited shelf life, the brotherhood is a strong apparatus with many different inroads which is now entrenched in both the ruling party and the state. Most importantly, it has time on its side and can thus play a decisive role in the struggle surrounding Erdogan's succession, whenever this shall take place.

This issue has indirectly albeit clearly come up on the political agenda for two reasons. The first is his health troubles, which have effectively acted as a cause of political uncertainty due to his undisputed leadership role in the Neo-Ottoman political camp. This uncertainty has intensified due to his aspiration of being elected president of the republic once he changes the constitution towards the direction of a presidential republic.

However, the ruling party is a few seats shy of the required majority in the National Assembly needed in order to revise the constitution. This has compelled Erdogan to seek out partnerships. Due to the polarized climate that exists in the National Assembly, he is flirting with the idea of coming up with the necessary parliamentary votes he lacks from the Kurdish party. This is yet another reason why he is moving forward with the process of a political solution to the Kurdish problem.

Nevertheless, a political solution to the Kurdish problem will require more than just political courage. This problem is by nature a minefield. Erdogan is seeking a political solution under his terms, which are not the terms put forth by the PKK. At this point in time, the PKK is not seeking a separation of the Kurdish areas from the Turkish state. When it speaks of "democratic autonomy," it models its inspiration on the Kurdish region in Northern Iraq, which is a state within a state.

In the near 30 years that have passed since the start of the Kurds' armed freedom movement, the PKK has remained intact and proven in practice that a military solution to the Kurdish problem is not possible. The bloody repression and the dirty operation to cleanse Turkey's southeastern regions created a deep rift between the vast majority of Kurds and the Turkish state. The Kurdish guerilla war, which led to the violent and often blind repressive retaliation by state and parastate forces, served as the catalyst to the dynamic rise of Kurdish nationalism within the Turkish state. This is an irreversible process.

From this viewpoint, the PKK has accomplished the most important part of its historic mission. Through its many years of armed resistance, a distinct national conscience of the Kurdish people was definitively and irrevocably formed. Kurdish nationalism is developing

dynamically not only in the southeastern regions, but also in the poor neighborhoods of major cities all across Turkey. Millions of Kurds have moved there to seek refuge, not only due to urbanization, but also as a result of the violent uprooting of rural Kurdish populaces in southeastern Turkey that was brought about by the repeated campaigns to clear the area of Kurdish separatists. In other words, even territorial separation would not provide a definitive end to the Kurdish problem. The Kurdish carcinoma has spread.

Therefore, the problem is quintessentially political and can no longer be resolved by military means. Even in the event that the Turkish army managed to crush the rebels, the Turkish state would not cease to be faced with the forceful demand by the Kurds for national emancipation and freedom. It must be noted that according to Turkey's statistical agency, 22.5 million of the 74.7 million citizens of Turkey are of Kurdish origin. In fact, the demographic growth of the Kurdish people is much greater than the demographic growth of the Turkish people. This fact is slowly but steadily tipping the balance of the population ratio in favor of the Kurds. Soon, one in every three Turkish citizens will be a Kurd.

However, from the moment that the Kurds developed a distinct national conscience through their national liberation movement, they have come to experience Turkish rule as a conquest. That is why, as a rule of thumb, they have morphed into enemies of the Turkish state - actively or latently, publicly or in secret. This is the reason why the possibility of achieving a "soft" political solution, which would not compromise the unity of Turkey in the long term, has dwindled.

Erdogan is negotiating a political solution (through representatives) with Abdullah Ocalan, who remains imprisoned. The Kurdish leader's order to the rebels for a unilateral truce was respected, but it will be very difficult for the rebels to agree to an unconditional disarmament. The most likely scenario is that they will withdraw into Northern Iraq to await the conclusion of the negotiations. It should be noted that the government does not intend on freeing Ocalan. It fears that its opponents will accuse it of national betrayal and that it will lose favor with Turkish popular opinion. It is discussing commuting his sentence to house arrest, but this proposal has been rejected by the PKK.

As Foreign Minister Ahmet Davutoglu has accurately stated, a political solution to the Kurdish problem is a precondition to Turkey making good on its aspirations for regional hegemony. As long as the Kurdish problem remains an open wound, Turkey will continue to bleed. However, the likelihood of an agreement to a political solution such as the one being sought by Erdogan is small. The Kurds are asking for much more than the Neo-Ottomans are willing to give up, which makes reaching a compromise even harder. However, even if such a compromise were to arise and a political solution like the one described above were to be put into place, it is not at all certain that the national political landscape in Turkey would become stable. On the contrary, it is possible that the momentum from a solution would open the door to new Kurdish demands, which would compromise the unity of the Turkish state over the middle to long term.

On the foreign policy front, Erdogan's biggest challenge remains the crisis in Syria. He has already come under strong criticism from the opposition for Turkey's direct involvement in this affair, which facilitated the formation of a hybrid Kurdish state in northern Syria that maintains strong ties to the PKK. In this manner, an organized Kurdish axis is developing along Turkey's eastern and southeastern borders, which essentially provides the rebels with

strategic depth. On the other hand, the Erdogan administration is betting that the Assad regime will be ousted and the (Sunni) regime that will succeed him will be open to stronger Turkish influence.

The fundamental point of the Davutoglu doctrine is that Turkey must no longer operate as it did in the past. It is not the West's last bastion in the East, nor is it a bridge between East and West, nor a valuable geopolitical area located between Europe, Central Asia, and the Middle East. According to his theory, the country's large size and population, its imperial legacy, and Turkey's ability to influence the region will enable it to develop into an autonomous regional power.

In order to achieve this in the new international environment that is developing, the Neo-Ottoman government is following a multifaceted foreign policy. In other words, it takes on an active role and political commitments in the wider area, without, however, weakening its ties to Euro-Atlantic institutions, while nonetheless ensuring that these ties do not inhibit the development of Turkish-Russian relations. In reality, Neo-Ottoman Turkey is trying to forge a leadership role in the East so that it may negotiate with the West from a stronger position.

The policy of "zero problems with neighbors" that Ankara has been trying to build up in order to establish hegemony in the post-Ottoman region is suffering cracks. The understanding it reached with Tehran and Damascus to jointly handle the Kurdish problem has fallen through.

Erdogan's head-on confrontation with Israel has won him widespread popularity – particularly with Muslim public opinion, and most especially with the Sunni regimes that came to power following the "Arab Spring." On the other hand, however, it has also brought about consequences. Israel turned to the Republic of Cyprus and Greece in order to secure the safety of the road leading to the West. These changes to the geopolitical balance in the Eastern Mediterranean did not have time to crystallize. Following a strong intervention by U.S. President Barack Obama, Israeli premier Benjamin Netanyahu apologized to Erdogan for the attack on the Mavi Marmara, thus opening the way for the rapprochement sought by both sides – each for their own reasons.

Nevertheless, it will prove difficult for the bridging of this gap to restore Turkish-Israeli relations to their former state of strategic cooperation. The political trust between them has been shattered. Only future developments will prove whether the rapprochement between these former allies will be limited to the normalization of bilateral relations or if it will take on a stronger dynamic – and just how far this dynamic will go.

The discovery of major energy deposits gives new importance to the region, but energy-starved Turkey finds itself out in the cold. The Neo-Ottomans' failure to block the utilization of deposits within Cyprus' EEZ was a strong motive for disrupting the strategic cooperation between Israel and Cyprus. Tel Aviv's rapprochement with Ankara will inevitably affect this strategic cooperation. The critical question is to what degree.

It is evident that Israel is being compelled to accept a stronger geopolitical role for Turkey in the region. Based on this framework, it will plan its policy by taking Ankara's demands into account. This, of course, will also relate to the Cyprus issue and Greek-Turkish relations, in addition to the matter of energy deposits, of course. Besides, Israel is flirting with the idea of

sending natural gas to energy-starved Turkey via an underwater pipeline. This plan has been discussed, and it is feasible from an economic standpoint. The crucial question is whether or not the Israelis will choose to have their exports depend exclusively upon Turkey, especially following the crisis that their bilateral relations went through.

If it chooses to go down this road, it is evident that the two countries will become highly dependent upon one another, which will inevitably bring a new qualitative dimension to their geopolitical cooperation. If developments go in this direction, the consequences for Cyprus (and Greece) will be unfavorable. From a financial standpoint, the cost of exporting Cypriot natural gas will increase because large economies will not be involved in the process, although this will depend on whether significant new deposits are discovered inside Cyprus' EEZ. In fact, the IMF/EU/ECB troika may likely pressure Nicosia into supplying European markets with Cypriot natural gas via Turkey.

From a political standpoint, the possibility that the Turks might try to stop drilling in other offshore fields inside Cyprus' EEZ should not be discounted. However, the likelihood of this is small because the Turks will not only be met by opposition from Cyprus, but also from energy companies that have secured the rights to exploit these deposits. Besides, the Europeans are preparing to get their hands on Cypriot energy deposits. In order to do so, these need to be controlled by a weak nation like Cyprus, and not by a difficult and demanding one like Turkey. The Americans, on their part, have a tendency of trying to resolve local disputes by promoting solutions relying on co-exploitation, with Turkey having a share in the profits even though it is not entitled to one.

The crisis in Cyprus' banking sector was used as an opportunity to settle not just financial matters, but also geopolitical ones as well. It was mainly used to curtail Russia's presence and influence in Cyprus, which was sought not just by Europe and the U.S., but also by Israel and Turkey. The transformation of Cyprus into a protectorate of the euro zone (essentially Germany) will bear heavy consequences not only on a financial level. Both the European powers that be and the U.S.-British presence make no secret of their intention to capitalize on this opportunity to resolve the Cyprus issue by imposing a solution based on the Annan Plan. The fact that Nicos Anastasiades is now president of Cyprus will further facilitate their efforts.

Turkey's attempt to get its hands on Cyprus' energy deposits is connected with its evident intent to bring about a de facto change in the area of Kastellorizo, which is located inside the Greek continental shelf. Ankara's goal is to entangle Athens in negotiations for the co-exploitation of any energy deposits located there. Either way, however, Ankara wants to revisit chronic problems in the Aegean that have been in the making for decades due to Turkey's unilateral claims and turn these into negotiating issues.

The Neo-Ottomans are just as nationalistic as the Kemalists, but in a different way. Nevertheless, when it comes to Greek-Turkish relations, an osmosis has taken place between both sides of the political spectrum in Turkey. On the other hand, however, there are also major differences between them, and not just on a stylistic and rhetorical level. Turkey is trying to negate Greece's administrative and sovereign rights, question Greece's territorial integrity, and, provided it finds the right opportunity, expand its control over the Aegean and Thrace at Greece's expense.

Erdogan is not the flag-bearer of Turkey's long-standing expansionist claims, nor does he claim these for his diplomatic showcase. He is cultivating a climate in favor of the settlement

of bilateral issues, without, nonetheless, abandoning Turkey's fixed positions and policies of provocation. Nonetheless, he presents himself as being more flexible. He avoids categorically rejecting proposals and prefers to seek high-stakes political deals in exchange for making even the slightest concession. As a torchbearer of Neo-Ottoman ideology and strategy, he is attempting to turn Turkey into the focal point and hegemonic power of the post-Ottoman region. As part of this framework, he is attempting to gradually drag Greece into an informal satellite state status. In order to advance his goal, he makes use of rhetorical devices highlighting good will, emphasizing "soft power." Besides, military pressure is simultaneously being placed on Greece by Turkey's military-run bureaucracy.

Being that Greece's negotiating power is at an all-time low, the nation is left exposed on many fronts. It is affected by the manner in which it is treated by its larger neighbor Turkey, which finds itself strengthened at this point in time, and which has been waging a diplomatic war of positioning with Greece for years, where the threat of military action always played a central role. Erdogan's often smooth rhetoric does not change the objective facts, which might be circumvented through the use of rhetoric, but which are decisively taken into account by pragmatic foreign policy strategists. Moreover, as history has shown, Ankara capitalizes on Greece's moments of weakness.

It should be noted that a large portion of Greece's ruling elite, who are used to political pandering and being dependent on foreign powers appear ready to accept a new status quo in which Greece indirectly operates as a satellite state and hitches itself onto the wagon of Neo-Ottoman Turkey. The development of Greek-Turkish economic relations, in conjunction with the crisis in the euro zone, seems to support this trend. In the past, the dilemma was posed metaphorically with the option of choosing between "the papal tiara or the Turkish fez." Today, there is no dilemma posed at all. The transformation of Greece and Cyprus into protectorates of Europe (Germany, to be precise) can be combined with the acceptance of its geopolitical dependence upon Ankara.

The fate of the Erdogan administration, however, will be determined to a large degree on the developments in the economic sector. An open economy has gradually been built up in Turkey, in addition to its adaptation to the demands of a globalized economy. The Neo-Ottoman government finished the job that former premier Turgut Özal has begun three decades earlier. Since 2002, the Turkish economy entered into a no-questions-asked adjustment period. The instructions of the IMF were faithfully adhered to. Economic policy was spearheaded by privatizations, which were implemented by the AK Party right from the start. At the same time, the necessary changes were made to the banking sector, which serves as the main broker between the domestic economy and the influx of globalized capital.

The Turkish economy's growth is based on the influx of international capital over the long term (Direct Foreign Investments) and short term (portfolio investments). The dependence of the Turkish economy on these inflows is critical. The rapid and mass outflow of short term capital has led many countries to an economic collapse. In other words, what is today an asset for the Turkish economy may at the same time prove to be a future weakness. When looking at a massive influx of short term capital (portfolios), one must remember that the flip side of the coin is sudden mass outflow of capital. The crisis in Southeast Asia in 1997 is much too recent to be forgotten.

The recent credit crisis caused a major decrease in the growth rate of the Turkish GDP. In fact, the negative consequences would have been much worse if the tool of expansive credit policy was not used excessively. As a consequence of this policy, consumer demand rose, which triggered imports, raised the negative trade balance, and created inflationary pressure. All these things may be seen as precursors indicating the Turkish economy's entry into recession. They are like an albatross predicting an oncoming storm. The destruction usually takes place before the government can manage to react in time.

Nonetheless, the influx of capital supported the major domestic credit expansion in Turkey. Over the last three years, the ratio of debt to available household income increased markedly, climbing to nearly 45 percent. Excessive demand was directed towards imports to a large degree. The increase in imports of durable consumer goods was around 60 percent for the period 2003-2011, while the influx of capital goods for the period 2008-2011 decreased slightly.

The problem is not just the size of the negative balance of trade. The problem is the fact that financing is taking place in the wrong manner. Only 15 percent of the deficit is being financed by direct foreign investments, while the rest is being financed by portfolio investments. Portfolio investments exhibit the same behavior worldwide, with Turkey not serving as an exception. During periods of crisis, investors seek increasingly higher risk premiums, continually raising the cost of financing.

Short term debt bond issues in Turkish lira, which are being held by banking institutions and hedge funds, were widely relied upon to finance debts. In fact, they have created increased risk, primarily regarding their refinancing. It should also be mentioned that foreign deposits were coming into the country until the end of 2010, due primarily to the high interest rates, which more than made up for the ever-weakening Turkish lira. As the Turkish lira began to devalue at a faster rate, foreign investors reduced their deposits in domestic currency, forcing the Turkish government to finance the trade deficit with funds from currency exchanges (primarily in dollars).

The need for international markets to return to a state of normalcy is imperative for the Turkish economy for yet another reason. Its exports depend on the incomes of consumers in developed nations. The same thing that holds true for all developing countries holds true for Turkey. The expansion of international trade is largely related to the income level of consumers from the developed world. The prospects for international trade for 2013 and 2014 (according to IMF forecasts) are not at all favorable. The European Union, which is one of Turkey's main trade partners, continues to remain stagnant.

Turkey depends on foreign countries for one additional reason: the influx of energy resources. Practically the entirety of the energy resources needed for the Turkish economy to function are imported from abroad. Aside from the geopolitical sides of this issue, from a purely economic standpoint, there needs to be stability in the way that the energy market functions, and this does not appear to be the case in the years to come.

As is also the case with other countries, the Turkish economy's problems are being covered up by the major increase in GDP. This increase acts as a veil that hides its intrinsic imbalances. The public debt remains low primarily because the denominator in this ratio – the GDP – increased significantly, while there were also primary surpluses being generated, of

course. The problems will begin to manifest themselves once the growth in GDP begins to taper off.

Can the increase in GDP be sustained over the medium range with the particular development model that the Turkish economy has adopted? What is the likelihood of this increase coming to a halt due to intrinsic or incidental reasons? The collective experience of other countries provides the answer. The decisive factor for the influx of foreign funds into the Turkish economy will primarily be privatizations and the influx of Direct Foreign Investments that will follow as a result. The reason for this is because they attract portfolio investments, which, of course, can be moved around independently. Afterwards, credit expansion through the banking sector, which is clearly related to portfolio investments, will follow.

Therefore, privatizations were the catalyst for the increase in GDP. So long as the Turkish government continues to privatize state companies, there will be money flowing into the economy, accompanied by additional funds. According to the neoclassical/neoliberal economic view, privatizations play the same role as public investment does in the Keynesian model (in a wider sense and with a large degree of differentiation). The problems will begin to appear and intensify when there will be no more state companies to privatize. At that point, the influx of funds that presently support the financing of production activity will cease, along with the accompanying investments made by speculators, which preserve the current consumer model.

For the year 2013, the Turkish government has budgeted for a total revenue of \$20 billion from privatizations. Of course, all these things will continue to happen under the premise that political stability will be maintained in the country and the geopolitical balance will not grow more complicated. However, there are also other problems that raise questions concerning the economic developments in Turkey. These problems make the systemic assimilation of changes aimed at modernizing the economy unbelievably difficult. Since the changes are essentially being ushered in by multinational capital, it is not certain that these changes will become a part of the Turkish production process.

The Turkish economy is not facing short term problems. However, it is faced with problems that are related to its structural characteristics and are expected to decisively affect it in the mid to long term. The country does not have natural resources or energy deposits, like Russia or Brazil, and it also does not possess the necessary amount of specialized workers in order to creatively incorporate the technology being brought over and compete with the developing nations of Southeast Asia.

The end conclusion is that there are strong indications of a credit bubble in the Turkish economy. However, there are also counterbalancing forces which support this particular process of development. The low public debt-to-GDP ratio is a positive factor, as is the existence of primary surpluses. However, both of these figures are absolutely connected with the growth rate of the GDP. As long as the GDP keeps growing, the imbalances will remain hidden under the rug. Therefore, the real question is when will the factors contributing to GDP growth cease to exist.

These factors are related to the fact that the predominant neoliberal model is now facing critical problems of reproduction. It has led the global economy into complete imbalance. This

can be concluded from the present imbalances existent among countries with a surplus and countries with a deficit, and is exacerbated by the fact that none of the countries with a budget surplus represent a ruling power on a global level. None of these countries possesses full superiority in terms of economic firepower because none of the currencies belonging to those countries is or is laying claim to global currency status. Moreover, none of these countries are basing the growth of their economies on primarily domestic demand. On the contrary, they are aiming to support their economic growth through exports. This indicates that they are still very far from being able to vie for the position of ruling power, even if other preconditions like political, military, and cultural hegemony were to be temporarily set aside.

Turkey is essentially following a model that will ever increasingly beget crises, present problems, and lead countries to go on the defensive against the threat of globalization. The fact that the applied models of development have a beginning and an end has been proven during the history of the capitalist system. At this point in time, we are certainly not at the beginning of the neoliberal model. On the contrary, we are likely nearing its end. The only thing we do not know is whether the end will come with a violent crash or with a swan song.