

# WHAT COMES NEXT FOR TURKEY? PROSPECTS FOR CHANGE ON THE POLITICAL, ECONOMIC, AND FOREIGN POLICY FRONTS

THE MIDDLE EAST INSTITUTE

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Cover photo: Supporters of Ekrem İmamoğlu gather for his last rally before the election on March 30, 2024. [Photo by YAGIZ GURTUG/Middle East Images/AFP via Getty Images](#).

Contents photo: Ballot papers seen displayed on a table at a polling station in Ankara during the 2024 Turkish local elections. [Photo by Tunahan Turhan/SOPA Images/LightRocket via Getty Images](#).



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## INTRODUCTION

At a time when there is widespread anxiety around the world about the fate of democracy but not enough debate on the future of autocracy, Turkey presents an interesting case for scholars and policy-makers. Turkish President Recep Tayyip Erdoğan spent two decades in power taking steps to build his one-man rule. 2023 was the year when many thought it would finally come to an end. The government's poor response to the devastating earthquake in February 2023 and Turkey's mounting economic problems strengthened popular discontent with Erdoğan's rule. Yet he still managed to win another term as president in the May 2023 elections thanks to the disarray among the six-party opposition coalition and its uninspiring candidate.

Almost a year later though, Erdoğan saw a reversal in his political fortunes when the main opposition Republican People's Party (CHP) captured a historic victory in the March 2024 municipal elections, becoming the most popular party in the country. The CHP's success is not only a defeat for the ruling Justice and Development Party (AKP), but also a gauge of the Turkish strongman's waning support.

After two decades in power, Erdoğan is now at his most vulnerable. What comes next is not only important for the future prospects of Turkish democracy but also holds important lessons for autocrats across the world. Will the Turkish opposition be able to build on its recent success to bring down Erdoğan in the next elections? Will Erdoğan be able to recapture the country's critical constituencies to maintain his grip on power? What are some of the tools available to him to reverse his electoral fortunes?

Scholars Evren Balta, Seda Demiralp, Edgar Şar, and M. Murat Kubilay seek to answer these questions by focusing on the main opposition CHP, the pro-Kurdish party's strategy, as well as Erdoğan's economic and foreign policies in a new Middle East Institute report.

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# TURKEY AFTER THE 2024 ELECTIONS: TRANSITION TO DEMOCRACY OR BUMPY ROAD TO AUTHORITARIAN CONSOLIDATION?

SEDA DEMIRALP

## Introduction

The results of the March 2024 local elections came as a surprise to observers of Turkish politics. The main opposition Republican People's Party (CHP) won a major victory, besting the incumbent Justice and Development Party (AKP) and relegating it to second place for the first time since the AKP won the 2002 general elections and then gradually established an electoral autocracy in Turkey.<sup>1</sup>

The CHP's victory was highly significant, not only because its candidates in Istanbul and Ankara, Ekrem İmamoğlu and Mansur Yavaş, won with even larger margins than they did in 2019, but also because the party's control expanded from metropolises to provincial and conservative districts in Anatolia, which traditionally had been skeptical toward the CHP. Overall, the CHP won in 35 out of 81 cities, receiving 37.7% of the total votes, while the AKP won in just 24 cities, receiving 35.4% and experiencing its first electoral defeat.

The magnitude of the opposition win was especially unexpected because only 10 months earlier President Recep Tayyip Erdoğan and the AKP had notched another victory in the May 2023 general elections, despite a 60%-plus annual inflation rate and widespread dissatisfaction with economic conditions. The results of the 2023 elections came as a major surprise to opposition groups, which had expected they would be a turning point in Turkey's transition from authoritarianism.

As such, while the 2023 elections caused widespread disappointment among opposition voters and an acute rise in

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1. According to Freedom House, in 2018 Turkey's status changed from "partly free" to not free. See Freedom House, "Turkey: Freedom in the World 2018 Country Report," <https://freedomhouse.org/country/turkey/freedom-world/2018>.

political apathy, the 2024 elections once again restored hopes for Turkish democratization. About a month after the local elections, in early May 2024, President Erdoğan held a private meeting with CHP leader Özgür Özel at the AKP headquarters. The meeting ended with both leaders announcing the beginning of a new period in Turkish politics, which Erdoğan described as a "softening" and Özel as a "normalization."<sup>2</sup>

In this regard, the 2024 elections raise some important questions for observers of Turkish politics. Did the big wave of change the opposition was expecting in the 2023 elections finally arrive 10 months late? Can the CHP use its control of municipalities to broaden its support base further before the next general elections? Should we expect the CHP to use its new powers to push for legal and administrative reforms? Could such reforms lead to the release of those convicted in politically motivated prosecutions? Alternatively, could the AKP use the "softening" of the political environment to push through belt-tightening policies, and thus restore the economy and the party's popular support before the next elections? And finally, can the AKP use more cooperative relations with the CHP to advance a sugar-coated constitutional change to enable Erdoğan to serve another presidential term? We do not have a crystal ball, but recent developments shed some light on what may lie ahead.

## Economic Downturn and Authoritarian Consolidation

We know that authoritarian regimes do not merely rely on oppression. Some level of public consent is necessary for

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2. Gamze Elvan, "Siyasette yumuşama-normalleşme tartışmaları: İpler Erdoğan'ın mı elinde?," *Medyascope*, May 9, 2024, <https://medyascope.tv/2024/05/09/siyasette-yumusama-normallesme-tartismalari-ipler-erdoganin-mi-elinde/>.



Photo above: Istanbul Mayor Ekrem İmamoğlu of the main opposition Republican People's Party (CHP) addresses supporters on the eve of municipal elections, in Istanbul on March 30, 2024. Photo by Yasin AKGUL/AFP/via Getty Images.

authoritarian consolidation, and autocratic leaders typically obtain it by extending economic benefits to key voting blocs. As Desai et al argue, “authoritarian bargains” form when citizens exchange rights and freedoms in return for economic transfers.<sup>3</sup> Indeed, over the years, the AKP owed its success mainly to its ability to harness the economic interests of its key electorates from both low- and high-income groups. Tax and housing policies, welfare benefits, extension of cheap credit, and lucrative procurements all supported this redistributive system.<sup>4</sup> The costs of this redistribution were placed disproportionately on middle-income voters, not a typical AKP

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3. Raj Desai, Anders Olofsgard, and Tarik Youseff, “The Logic of Authoritarian Bargains,” *Economics & Politics* 21, no. 1 (2009): 93-125, <https://doi.org/10.1111/j.1468-0343.2008.00337.x>.

4. Seda Demiralp, “Making Winners: Urban Transformation and Neoliberal Populism in Turkey,” *Middle East Journal* 72, no. 1 (Winter 2018): 89-108.

constituency. Yet the party’s redistributive capacity was not sustainable and faced challenges over time. Populist economic policies that prioritized rent generation over wealth creation, short-term interests over long-term ones, and popularity over economic rationality had their limits. Economic problems began to appear after 2016 and became more prominent after 2018, when inflation began to spike.

The AKP’s declining redistributive capacity sparked defections, contributing to the loss of the Istanbul and Ankara municipalities to the CHP in the 2019 local elections, after nearly 25 years under the AKP and its predecessors.<sup>5</sup> The AKP’s loss of access to precious land rents in Istanbul — and to some extent, Ankara — after the 2019 elections further

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5. Evren Balta, Seda Demiralp, and Selva Demiralp, “Debating voter defection in Turkey,” *Turkish Studies* 24, no. 5 (2023): 739-63, <https://doi.org/10.1080/14683849.2023.2200941>.

strained the patronage links between the party and its voters. Until 2019, the AKP had enjoyed the discretion to transfer land rents directly and indirectly to its voters and cronies. These rents were particularly important in rewarding pro-government media owners, through cheap land and lucrative public-private construction projects.<sup>6</sup> Thus, the loss of access to valuable land rents constituted a critical turning point in the demise of the AKP's redistributive system.

The AKP government's decision to keep interest rates low and control the USD/TL exchange rate after 2021, despite high inflation, constituted another turning point in the decline of its economic power. While both policies served some populist interests and pleased certain groups, such as those who received cheap loans, the resulting high inflation was costly for most voters, especially wage earners.

In the run-up to the 2023 elections the economic situation did not look good for either Erdoğan or the future of his authoritarian bargain.<sup>7</sup> Yet, risking a balance-of-payment crisis, he managed to push through populist economic policies one more time. An above-inflation increase in the minimum wage (of about 100% annually), expansion of early retirement to more than 2 million voters, and free natural gas supplies were among the populist benefits Erdoğan extended to voters shortly before the elections.

In addition, Erdoğan's campaign embraced an emotional message, arguing that Turkey's economic problems were only temporary. Erdoğan suggested that the AKP had fixed economic problems before and could do so again. By contrast, the opposition lacked both skills and previous accomplishments, he argued, so one could not trust them with as important and delicate a job as handling the economy.<sup>8</sup> He also targeted the six-party opposition coalition's governance scheme, whereby each party leader in the Nation Alliance would have veto power over presidential

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6. Demiralp, "Making Winners," 89-108.

7. Gönül Tol, "Erdoğan's authoritarian bargain collapses in Turkey," *Financial Times*, April 4, 2023, <https://www.ft.com/content/fd31eff7-b5e2-4424-82ed-215a93837c27>.

8. "Cumhurbaşkanı Erdoğan: Ekonomik sıkıntılarını yine biz çözeceğiz," *TRT Haber*, April 16, 2023, <https://www.trthaber.com/haber/gundem/cumhurbaskani-erdogan-ekonomik-sikintilari-yine-biz-cozecegiz-761072.html>.

decisions, saying it would make it impossible to act decisively on critical issues, including economic ones. The outcome would be a cacophony as "six drumsticks would be hitting a single drum simultaneously."<sup>9</sup>

Erdoğan's campaign also emphasized that citizens' daily economic problems were secondary to larger, immaterial goals. While not denying AKP supporters' economic discontent, the incumbent's campaign highlighted that pragmatic interests could not be placed above moral ones. "Could one give up on their love?" Erdoğan's campaign would ask, inviting AKP voters to support their party one more time, for the love of Erdoğan, the love of their cause, or the love of their nation.<sup>10</sup>

The campaign also downplayed the importance of daily economic struggles by emphasizing Turkey's accomplishments in the defense industry, including the development of battle tanks, drones, naval vessels, and fighter jets. Erdoğan successfully used a national-developmental narrative to deemphasize his poor performance in fighting high inflation and declining wages.<sup>11</sup> He securitized the elections, claiming that a Nation Alliance victory would jeopardize Turkey's national interests because the opposition was backed by the pro-Kurdish Peoples' Equality and Democracy Party (DEM) and thus, indirectly, by the terrorist Kurdistan Workers' Party (PKK).<sup>12</sup>

Erdoğan's emotional campaign was important in minimizing the influence of objective economic conditions. We know that voters do not automatically defect when they are economically dissatisfied. Instead, they compare their options and try to decide which candidate is more likely

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9. "Cumhurbaşkanı Erdoğan: "Bir tane davula 6 tokmak birden inecek"," *Ekovitrin*, January 10, 2023, <https://www.ekovitrin.com/cumhurbaskani-erdogan-bir-tane-davula-6-tokmak-birden-inecek>.

10. AK Parti, "İnsan doğrudan hiç vazgeçer mi?," YouTube, April 14, 2023, video, 1:18, [https://www.youtube.com/watch?v=BzJ82P3RI\\_s](https://www.youtube.com/watch?v=BzJ82P3RI_s).

11. Aykut Öztürk, "Whisper sweet nothings to me Erdoğan: developmentalist propaganda, partisan emotions, and economic evaluations in Turkey," *Democratization* 30, no. 7 (2023): 1357-79, <https://doi.org/10.1080/13510347.2023.2232741>.

12. "Erdoğan slams continued PKK support for Kılıçdaroğlu," *Daily Sabah*, May 24, 2023, <https://www.dailysabah.com/politics/elections/erdogan-slams-continued-pkk-support-for-kilicdaroglu>.

to improve their economic conditions in the future. Here, emotions play an important role as they influence how voters perceive their options and the broader economic environment.<sup>13</sup> In the 2023 elections voters reelected Erdoğan, despite their economic frustration, because they were convinced that there was not a better alternative.

But as time went on, some voters clearly changed their minds and defections came though, after some delay, in the 2024 local elections. While further research is needed to understand who defected and why, existing evidence shows that economic dissatisfaction was among the main reasons for AKP voters' frustration with the party.<sup>14</sup> The AKP government was unable to reduce prices or boost wages between the 2023 and 2024 elections. The radical changes in economic policy embraced after the 2023 elections, under the new minister of treasury and finance, Mehmet Şimşek, were in line with conventional economic principles. However, the bitter medicine that came with this sudden return to economic orthodoxy, such as high interest rates and budget cuts, frustrated average voters, who were already exhausted by the previous impact of high inflation. The government's refusal to increase the pensions of retirees, who made up around one-fourth of the electorate, despite heavy public pressure, was among the strongest signals that populist demands could no longer be met in the way they were in the past.<sup>15</sup> Cutting populist redistributions in the run-up to elections was not a typical Erdoğan move, but as he openly told voters, this time he had no choice.<sup>16</sup> He was taking a risk with the 2024 elections, and as the results showed, that risk was realized.

13. Öztürk, "Whisper sweet nothings to me Erdoğan," 1357-79.

14. Seda Demiralp, *2024 Yerel Seçimlerine Doğru: Seçmen Apatisi ve Siyasi Tercihler* (IstanPol, March 2024): 1-28, [https://istanpol.org/Uploads/ContentManagementFile/apatirapor\\_tr\\_240424\\_web.pdf](https://istanpol.org/Uploads/ContentManagementFile/apatirapor_tr_240424_web.pdf).

15. "4 seçmenden birisi emekli: 31 Mart yerel seçimlerinin sonucunu emekliler mi belirleyecek?," *Euronews*, March 21, 2024, <https://tr.euronews.com/2024/03/21/4-secmenden-birisi-emekli-31-mart-yerel-secimlerinin-sonucunu-emekliler-mi-belirleyecek>.

16. "Erdoğan: 'Even if we halt all our other payments, we will not be able to provide our retirees with the pension hikes they have been promised'," *Medyascope*, March 5, 2024, <https://medyascope.tv/2024/03/05/erdogan-even-if-we-halt-all-our-other-payments-we-will-not-be-able-to-provide-our-retirees-with-the-pension-hikes-they-have-been-promised/>.

## Is the AKP Losing or the CHP Winning?

We know that removing autocratic incumbents from office via elections is not merely a result of their failure but also due to the opposition's skill. Particularly important is the ability of opposition leaders to bring together voters from different political backgrounds.<sup>17</sup> Efforts to unite a divided opposition benefit greatly from charismatic leaders who can gain the trust and support of various ideological or cultural groups.<sup>18</sup>

For over a decade, from 2010 through 2023, Erdoğan was lucky to face Kemal Kılıçdaroğlu as the CHP leader. Kılıçdaroğlu presented himself as a kind and gentle individual and disagreed that such qualities did not help when competing with a popular strongman figure like Erdoğan.<sup>19</sup> Erdoğan, by contrast, made the most out of these personality differences over the years and portrayed Kılıçdaroğlu as a weak figure who could not even control the six-party opposition alliance, let alone Turkey.<sup>20</sup>

In the 2024 municipal elections, however, it was the CHP's turn to enjoy all the advantages of charismatic candidates. This was particularly the case for the party's Istanbul and Ankara mayors, Ekrem İmamoğlu and Mansur Yavaş, whose popularity largely surpassed that of AKP candidates Murat Kurum and Turgut Altınok. Both İmamoğlu and Yavaş, along

17. Elvin Ong, "What are we voting for? Opposition alliance joint campaigns in electoral autocracies," *Party Politics* 28, no. 5 (2022): 954-67, <https://doi.org/10.1177/13540688211032367>.

18. Walid Jumblatt Abdullah, "The Mahathir Effect in Malaysia's 2018 election: the role of credible persons in regime transitions," *Democratization* 26, no. 3 (2018): 521-36, <https://doi.org/10.1080/13510347.2018.1552943>.

19. Murat Sabuncu, "Maltepe İzlenimleri: Kılıçdaroğlu rüzgarı var, ilk turda cumhurbaşkanlığını kazanabilir," *T24*, May 7, 2023, <https://www.t24.com.tr/yazarlar/murat-sabuncu/maltepe-izlenimleri-kilicdaroglu-ruzgari-var-ilk-turda-cumhurbaskanligini-kazanabilir,39895>.

20. İhsan Yılmaz, Nicolas Morieson, and Ana-Maria Bliuc, "AKP's populist framing of Erdoğan as the tough, macho, militaristic savior of 'the people' against the Western imperialists," May 10, 2023, *ECPS*, <https://www.populismstudies.org/akps-populist-framing-of-erdogan-as-the-tough-macho-militaristic-savior-of-the-people-against-the-western-imperialists/>.





Photo above: Customers queue to exchange money at a foreign currency exchange bureau in Istanbul on May 3, 2023. Photo by Kerem Uzel/ Bloomberg via Getty Images.

with many other mayoral candidates nominated by the new CHP administration under party leader Özgür Özel, appealed to a wider voter base beyond the typical secularist, middle-class CHP constituency.<sup>21</sup> These candidates were able to gain the trust of voters who were previously skeptical about the CHP, including those with conservative and nationalist inclinations. As a result, the CHP's mayoral candidates played an important role in weakening the AKP's partisan ties and motivating its frustrated voters to stay home on election day, if not defect.

It is also important to note that while some of the defectors did not vote for the CHP but moved to other, smaller parties, such as the conservative New Welfare Party (YRP), the CHP candidates' de-polarizing influence must have played some part in this choice as well. After all, a more polarized political atmosphere would

21. Demiralp, *2024 Yerel Seçimlerine Doğru*, 1-28.

most likely have consolidated conservative voters around the AKP. Indeed, evidence suggests that feelings of political alienation among AKP voters were higher before the 2024 elections, and while economic frustration was one factor at play, another was their relatively positive views about CHP candidates. Apathetic or alienated AKP voters typically felt that it did not really matter who won the elections.<sup>22</sup> While this sentiment was certainly negative in part, due to the low political efficacy that voters perceived, the glass was still half full. In contrast to the polarized atmosphere of 2023, when AKP voters saw their party's victory as critical for the furtherance of their political ideals, the level of partisanship was much lower before the 2024 local elections. This suggests that voters felt freer to make choices that maximized their interests, independent of pressure from their party's propaganda.

22. Demiralp, *2024 Yerel Seçimlerine Doğru*, 1-28.



Photo above: President Recep Tayyip Erdoğan visited the main opposition Republican People's Party after 18 years and met with its leader Özgür Özel on June 11, 2024, in Ankara. Photo by Yavuz Ozden/dia images via Getty Images.

## What Lies Ahead?

According to Geddes, the possibility of a transition from an authoritarian regime increases during its first 20 years.<sup>23</sup> For her, it is within this period that an autocratic government faces most of the challenges it possibly can. If an autocrat survives this period, then the window of opportunity for a transition starts closing for most countries, to open again only after 35 years.

Shortly after the AKP reached the two-decade mark since coming to power, Turkey held two elections within a 10-month

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23. Barbara Geddes, "Authoritarian Breakdown: Empirical Test of a Game Theoretic Argument," (paper presented at the annual meeting of the American Political Science Association, Atlanta, September 1999), [https://eppam.weebly.com/uploads/5/5/6/2/5562069/authoritarianbreakdown\\_geddes.pdf](https://eppam.weebly.com/uploads/5/5/6/2/5562069/authoritarianbreakdown_geddes.pdf).

period. While the 2023 general elections gave the AKP another term in government, the 2024 local elections made the CHP the country's leading party, for the first time since 1977. The current situation is far from a regime transition, but it still constitutes a historic turn in Turkey's prospects for democratization.

The 2024 elections signaled that the AKP's authoritarian bargain with its supporters has weakened. The party is losing support mainly because it can no longer maintain populist redistributions. Meanwhile, the CHP is finally seen as an acceptable alternative by the average voter.

The 2024 elections also created a critical opportunity for the CHP to further expand its voter base in the medium run, by making itself more visible and proving its ability to govern. At this point, state propaganda or asymmetrical media coverage will hardly be enough to "hide" the CHP from voters and limit awareness of its policies and performance.

Now, through its control of municipalities across the country, the CHP has the chance to reach out to citizens on a daily basis, better understand their needs, and respond to their problems on site, all of which can increase its popularity to new levels.

Under the circumstances, it will be difficult for Erdoğan to restore the AKP's votes and maintain his autocratic position. In fact, he faces a dilemma. To prevent further erosion of public support, Erdoğan needs to improve macroeconomic conditions. However, overcoming the existing economic problems in the medium run requires him to resist populist pressures and commit to the new orthodox economic policies in the short run, which include some unpopular belt-tightening measures. Thus, he needs a softer opposition during this critical period. Further, the AKP government will also benefit greatly from cooperating with the CHP in cutting unnecessary public expenses. Now that access to patronage networks is more evenly distributed between the AKP and the CHP, Şimşek's plans to reduce public spending can hardly succeed if the two parties compete in providing patronage.

At this point, we may expect some changes in national politics, even before the next general elections. With political power now more balanced between the AKP and the CHP, the two parties can forge a new political bargain around mutual interests, as suggested by their joint announcement of a "softening-normalization" period. If this period lasts, we can expect several changes. Firstly, the two parties' leaders will likely reduce the use of a polarizing and threatening discourse. This may be beneficial because opposition threats often push incumbents to use additional measures to stay in power, which end up being costly for both sides. Secondly, they may also embrace some administrative reforms that increase transparency and meritocracy in public administration.<sup>24</sup> Thirdly, we can anticipate some cooperation in the implementation of the new economic program.

Certainly, the restoration of Turkish politics will require much more than what the "softening-normalization" plan may offer in the short run. Key measures like an end to

political prosecutions, reinstatement of horizontal checks on government, guarantees of individual rights, and changes to the election law will likely have to wait for a change in government or a further increase in opposition support. It is also important to note that positive change may require the opposition to not give more than it receives. While a less polarized atmosphere and some coordination around common goals may benefit society as a whole, a toothless opposition would lose its current electoral support and, thereby, its leverage in bargaining with the government.

In sum, Turkey's prospects for political change rely more than anything on the CHP's ability to preserve its newly won central position, respond to voters' daily needs through its municipal administrations, and maintain a positive trend in its popular support. In the face of an opposition that continues to grow stronger and with a declining ability to provide populist redistributions to attract voters, Erdoğan will have few options other than choosing moderation or facing an electoral loss in the next general elections.

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24. For possibilities of administrative reforms, see Barbara Geddes, "A Game Theoretic Model of Reform in Latin American Democracies," *American Political Science Review* 85, no. 2 (June 1991): 371-92, <https://doi.org/10.2307/1963165>.

# THE DEM PARTY AND TURKEY'S KURDISH ISSUE

EDGAR ŞAR

## Introduction

Since the collapse of the Turkish-Kurdish Peace Process (2013-15) following President Recep Tayyip Erdoğan's first major electoral setback in the June 2015 general elections, the Turkish government has continued to approach the Kurdish issue as merely a security challenge. The resumption of the violent conflict between the Turkish Armed Forces (TSK) and the Kurdistan Workers' Party (PKK) has not only dashed the prospects for a peaceful resolution of the Kurdish issue but has also provided the nationalist conservative ruling bloc led by President Erdoğan with grounds for increasing oppression against the Kurdish political movement. Meanwhile, the pro-Kurdish Peoples' Democratic Party (HDP), now the Peoples' Equality and Democracy Party (DEM), pursued a policy of implicit cooperation with the Turkish opposition, led by the main opposition Republican People's Party (CHP), until the aftermath of the general elections in May 2023. Viewing the election outcome as the collapse of this long-standing strategy, DEM Party appeared to have opted for a "third way" approach, aiming to distance itself from both the ruling and opposition blocs so it could act autonomously. However, the recent local elections, held on March 31, 2024, which saw a major victory for the CHP, introduced a new dynamic for all political actors and questions in Turkey, including those concerning the DEM Party and the Kurdish issue more broadly.

Although efforts to bring about a peaceful resolution of the Kurdish issue can be traced back to the early 1990s, the first serious opportunity presented itself following the capture of PKK leader Abdullah Öcalan in 1999, when the PKK unilaterally declared a cease-fire. At that time, Turkey was also officially recognized by the European Union as a candidate for full membership in the bloc. The EU accession process led Ankara to take some significant steps toward democratization in the early 2000s, but this period without conflict did not translate into a peaceful resolution process. The Justice and Development Party (AKP) government subsequently initiated two new negotiation

efforts: the Oslo Process (2008-11) and the Peace Process (2013-15). During both, Erdoğan's government negotiated with the PKK at various levels in an attempt to reach a peace settlement. Meanwhile, the Kurdish issue evolved beyond just a domestic political concern for Turkey. The invasion of Iraq in 2003 and the onset of the Syrian civil war in 2011 transformed it into an international matter, requiring consideration of regional geopolitical factors by all relevant actors. As a result, the peaceful resolution of the Kurdish issue is currently more challenging and complicated than ever.

The reasons why these past attempts failed are well beyond the scope of this piece; however, it is widely accepted that the limits of the Kurdish political movement in Turkey is a contributing factor.<sup>1</sup> Between 2007, when it re-entered parliament after a long absence, and 2015, when it made unprecedented gains by crossing the 10% electoral threshold for party representation, the Kurdish political movement in Turkey grew significantly stronger. Nevertheless, at no point during any of the peace processes could pro-Kurdish parties play a role commensurate with their political strength. Peaceful resolution of the Kurdish issue in Turkey depends heavily on regional geopolitical dynamics in Iraq and Syria.<sup>2</sup> A decision by the DEM Party to take a more active role could be a game changer though, potentially helping to break the current impasse. What this role might entail and whether the DEM Party is capable of playing it effectively are key questions. This piece will explore these issues by examining the experience of the HDP over the past decade, as well as the debates following the May 2023 general elections and March 2024 local elections.

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1. Cuma Çiçek and Vahap Coşkun, "The Peace Process from Dolmabahçe to Present-Day: Understanding Failure and Finding New Paths," *Politics* (Ankara: Barış Vakfı Yayınları, 2016).

2. Mesut Yeğen, "Ethnopolitics to Geopolitics: The Turkish State and the Kurdish Question since 2015," *British Journal of Middle Eastern Studies* 50, no. 4 (2022): 943–61.



Photo above: A supporter holds the poster of Selahattin Demirtaş, former co-leader of the Peoples' Democratic Party (HDP), who has been held in prison for seven years, during a rally in Diyarbakir in May 2023. Photo by Mehmet Masum Suer/SOPA Images/LightRocket via Getty Images.

## The 2013-17 Period: Rise and Partial Decline

During the 2013-15 Peace Process, the HDP's influence grew significantly, even though it wasn't directly involved in the negotiations. Founded in 2012 as part of Öcalan's "Turkeyfication" project, the HDP differed from its predecessors by focusing not only on the Kurdish issue but also on broader problems in Turkey, particularly democratization.<sup>3</sup> It aimed to be a political umbrella party encompassing both the mainstream Kurdish political movement and various Turkish left-wing groups. By early

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3. "Analiz: Türkiyelileşme ama Nasıl?" *Al Jazeera Türk*, October 25, 2013, <https://www.aljazeera.com.tr/haber/analiz-turkiyelilesme-ama-nasil>.

2014, the HDP had become the main actor of the Kurdish political movement.

The August 2014 presidential election, which pitted Erdoğan against a weak opposition candidate, Ekmeleddin İhsanoğlu, was the HDP's first major hurdle. A former head of the Organization of Islamic Cooperation, İhsanoğlu was a strategic choice aimed at attracting conservative voters, but he lacked public recognition. The HDP's charismatic co-leader Selahattin Demirtaş seized the opportunity, capitalizing on the momentum of the Peace Process and his own popularity to woo opposition voters disenchanted with İhsanoğlu. His dynamic campaign secured nearly 10% of the vote, exceeding expectations and raising hopes for the HDP's future.



Photo above: A man flashes a “V” sign as members of the pro-Kurdish Peoples’ Democratic Party (HDP) take part in a protest against the detention of HDP members, in Istanbul, on September 25, 2020. Photo by YASIN AKGUL/AFP via Getty Images.

In June 2015, capitalizing on Demirtaş’s electoral success, the HDP contested elections directly. The party abandoned its previous strategy of running independent candidates to bypass the 10% parliamentary electoral threshold. It was a gamble — and failing to clear it could significantly weaken the Kurdish political movement. Further complicating matters, the relationship between the government and the Kurdish political movement had become strained. Despite the ongoing Peace Process, widening trust gaps and President Erdoğan’s criticism of HDP-organized demonstrations to protest the government’s decision not to assist the defense of Kobane against the Islamic State of Iraq and Syria (ISIS) in October 2014 signaled its fragility. Unsurprisingly, the AKP did not welcome the HDP’s decision to run as a party since its success in Kurdish regions would cost the ruling party seats, hindering Erdoğan’s push for an

executive presidency.<sup>4</sup> This ironically galvanized opposition voters, who saw the HDP’s success as vital to their own cause. After a contentious campaign, the HDP defied expectations by surpassing the electoral threshold with over 13% of the vote, stripping the AKP of its parliamentary majority for the first time.<sup>5</sup>

While garnering 13% of the vote was a significant achievement for the HDP, this political strengthening did not translate into a more influential position within the broader Kurdish political landscape. Following the resumption of violent conflict

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4. "HDP Eş Genel Başkanı Yüksekdağ: Üçüncü Büyük Parti Olacağız," *BBC Türkçe*, January 29, 2015, [https://www.bbc.com/turkce/haberler/2015/01/150129\\_hdp\\_yuksekdag\\_sinan\\_onus](https://www.bbc.com/turkce/haberler/2015/01/150129_hdp_yuksekdag_sinan_onus).

5. "Seçimlerin Galibi HDP," *VOA Türkçe*, June 8, 2015, <https://www.voaturkce.com/a/secimlerin-galibi-hdp/2812371.html>.

between the TSK and the PKK after June 2015, the HDP under Demirtaş struggled to do more than issue statements of condemnation. The party's inability to take on a more proactive role alienated a segment of its voter base. This was reflected in the November 2015 elections, when the HDP's support dropped slightly, with the party securing only 10.8% of the total vote.<sup>6</sup>

The PKK's renewed violent attacks were a clear message to the HDP as well — that the PKK remained the dominant force within the Kurdish political movement. The HDP under Demirtaş had few, if any, effective means to counter this message. Meanwhile, the failed 2016 coup gave rise to an alliance between the AKP and the hard-right Nationalist Action Party (MHP), emboldening the government to further criminalize the HDP. In November 2016, a wave of arrests targeted prominent Kurdish politicians, including HDP co-chairs Demirtaş and Figen Yüksekdağ. The government then appointed trustees to manage most HDP-controlled municipalities.

The HDP's electoral success, drawing support from a large majority of Kurds and a wider segment of Turkish voters, presented a clear dilemma. This victory seemingly imposed a burden on the HDP, led by Demirtaş, to become a key player in shaping the fate of Turkey's Kurdish issue. However, Öcalan's continued influence and the ongoing PKK insurgency created significant obstacles. The HDP's perceived inability to claim the central role created by its victory at the ballot box contributed to its subsequent decline.

## The 2017-23 Period: Supporting the Mainstream Opposition

Turkey's transition to an executive presidency in 2017 ushered in a new era of alliance politics, with two competing blocs emerging: the ruling alliance of the AKP and the MHP on the one hand, and a highly fragmented opposition bloc on the other. Just like the rest of the opposition, the HDP campaigned against the constitutional referendum in the "No" camp,

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6. KONDA, "1 Kasım 2015 Sandık ve Seçmen Analizi Raporu," *Konda Araştırma ve Danışmanlık*, November 2015, accessed June 17, 2024. <https://konda.com.tr/uploads/konda-1kasim2015sandikvesecmenanaliziraporu-18645a36452a71946e53e0fb7e23e6a705cf2c312cdadb24ae94371ae417506c.pdf>.

although there was no joint action by the opposition. Excluded from the opposition alliance due to the secular nationalist Good Party's (İYİ Parti) objections, the HDP nonetheless saw solidarity from CHP voters. The CHP backed the HDP to reach the 10% threshold, while the HDP implicitly pledged support for the CHP's candidate, Muharrem İnce, in a potential presidential run-off. Despite securing 11% of the vote, the HDP saw a decline in Kurdish cities, likely due to its perceived inaction after the renewal of violence.

In the 2019 local elections, the HDP focused on reclaiming lost municipalities and boosted the opposition, particularly the CHP, in western Turkey. This marked the party's first unilateral opposition support. HDP ex-leader Demirtaş' call from prison to support the HDP in the east and southeast and back the CHP in the west swayed voters, and the strategy paid off: The HDP regained control of its lost municipalities and the CHP won the major western cities, including Istanbul and Ankara, in addition to its long-time stronghold in Izmir.

The opposition's success in the 2019 local elections, achieved through cooperation with the HDP, threatened the ruling bloc. Fearing a repeat in the 2023 general elections, it intensified pressure on the HDP by carrying out arrests and reinstalling trustees in municipalities the party won. This aimed to sow discord within the opposition and prevent effective cooperation. Despite not seeking a formal alliance, the HDP, with imprisoned ex-leader Demirtaş as a key advocate, signaled an openness to supporting a joint opposition candidate against Erdoğan.

This was a time when Demirtaş, by far the most popular politician among the Kurds, actively engaged in daily politics via social media remarks carried by his lawyer. He boldly addressed sensitive issues, distancing the HDP from the PKK and criticizing armed struggle with newfound force. These remarks, far more captivating than the HDP's, fueled talk of a rift between Demirtaş and both the party and the PKK.

Finally, Kemal Kılıçdaroğlu, the CHP leader and opposition alliance presidential candidate, secured support from Demirtaş and the HDP, which was evident in the first round of elections on May 14, 2023. However, he received fewer votes than expected, and his accord with the ultra-nationalist leader of the Victory Party (ZP), Ümit Özdağ, before the presidential

run-off created huge frustration among Kurds. Nonetheless, the majority of the HDP's base still backed Kılıçdaroğlu in the run-off, which he ultimately lost with 48% of the vote. Kurdish political frustrations stemmed not just from Kılıçdaroğlu, but also from the HDP's (under the banner of the Green Left Party, or YSP) disappointing performance, with 8.8% of the vote. While a slight decline was expected due to the lowered threshold for parliamentary representation (which fell from 10% to 7%) and the Workers' Party of Turkey's (TİP) independent run, the results suggest a significant loss of support in both western and Kurdish cities.

The YSP's poor showing in the May 2023 elections confirms that the Kurdish movement's post-2015 crisis persists. Its strategy of backing the opposition solely to weaken Erdoğan proved an escape attempt, not a solution. This fiasco for both the YSP and the opposition has sparked a serious internal debate across the Kurdish political landscape.

## The May 2023-March 2024 Period: Internal Debate and Confusion

Following May 2023's electoral disaster, the YSP revamped its leadership in October 2023 and rebranded as the DEM Party. Internal reflection led the party to abandon its unilateral support for the opposition, seen by elites as the cause of their worst election performance over the past decade. Declining support in western cities and lower youth engagement<sup>7</sup> than the general public signal a crisis in the "Turkeyfication" strategy and over the party's future more broadly.<sup>8</sup> The party leadership felt their unwavering support for the opposition failed to offer a distinct political vision or energize their base. It also fueled President Erdoğan's crackdown on the DEM Party. In response, they adopted a "third way" strategy, carving out a distinct space separate from the opposition and allowing them to be in dialogue with the ruling bloc regarding the resolution of the Kurdish issue.

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7. Konda, "Gençlerin Politik Tercihleri Araştırması 2024," *Konda Araştırma ve Danışmanlık*, 2024, accessed June 17, 2024. <https://konda.com.tr/uploads/genclerin-politik-tercihleri-arastirmasi-2024-64df8822aead837953c985b7a856bc911a53b8524850b4725246f7b92b74b216.pdf>.

8. Yektan Türkyılmaz, "Kürt Hareketinin Zor Dönemeci (1)," *Yeni Arayış*, accessed June 17, 2024. <https://yeniarayis.com/yektanturkyilmaz/kurt-hareketinin-zor-donemeci-1/>.

The DEM Party's departure from the opposition bloc was deemed heavily advantageous for President Erdoğan's ruling bloc in its bid to reclaim the major cities it lost to the CHP in the 2019 local elections. However, despite DEM's pursuit of a third way, the ruling bloc showed no sign of changing its approach to the Kurdish issue. While many believed Erdoğan might reconsider appointing trustees to DEM municipalities in the future if the party nominated candidates in major cities and didn't support the opposition in the March 2024 local elections, there was no public evidence of such negotiations beforehand.

Ultimately, the DEM Party fielded its own candidates in most major cities, including Istanbul, Ankara, and Izmir. The possibility remained though that DEM voters would support other candidates in constituencies where the party wasn't competitive. This sparked a major disagreement within DEM's leadership. On the one hand, one faction, including prominent politicians Ahmet Türk and Leyla Zana, argued that renewed dialogue with President Erdoğan was the only path toward a peaceful resolution of the Kurdish issue. They therefore called on DEM voters to fully support the party's candidates, rather than those of the CHP, in western Turkey. On the other hand, another faction, which includes the party's co-leader Tülay Hatimoğulları, believed that the president would not be open to dialogue and thus prioritizing efforts to weaken the ruling bloc in the elections remained the better option.<sup>9</sup> Despite rumors to the contrary, Demirtaş, who stepped down from politics after the disappointing May 2023 elections, did not participate in this debate or address DEM voters directly. All of this was seen as a sign of discord and confusion within the Kurdish political elite.

In the March 2024 local elections, the CHP emerged as the country's largest political party, retaining control of major cities and securing new ones. In key cities such as Istanbul, Adana, Mersin, and Antalya, where Kurdish votes were decisive, DEM supporters predominantly backed the CHP over their own party's candidates. These results suggest that despite elite-level debates within the Kurdish political movement, DEM voters, arguably Turkey's most politicized group, may have differing opinions. Nonetheless, the DEM Party did not emerge

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9. "Hatimoğulları: Temkinli AKP, Kürt Halkına Çözüm Süreci Hayali Satıyor," *PolitikYol*, accessed June 17, 2024. <https://www.politikyol.com/hatimogullari-temkinli-akp-kurt-halkina-cozum-sureci-hayali-satiyor/>.





Photo above: Republican People's Party (CHP) chairman Kemal Kılıçdaroğlu (C) and Peoples' Democratic Rights Party (HDP) co-chairs Pervin Buldan (L) and Mithat Sancar (R) hold a press conference in Ankara on March 20, 2023. [Photo by ADEM ALTAN/AFP via Getty Images.](#)

as one of the many losing opposition parties in these elections. It successfully reclaimed municipalities in Kurdish-populated cities from government trustees and even won new ones.

One of the main questions following the March 2024 local elections is whether the ruling bloc will again dismiss DEM mayors and appoint trustees. The decision of the provincial electoral board in Van, a Kurdish-majority city, to declare the AKP's runner-up candidate as the winner, alleging irregularities regarding the candidacy of DEM's nominee Abdullah Zeydan, who won the election in a landslide, gave the impression that the policy of appointing trustees would continue. However, after swift demonstrations by DEM supporters, the Supreme Electoral Board (YSK) overturned the decision, declaring the DEM candidate the winner. This reversal may partly stem from the fact the election results caught President Erdoğan

by surprise and constituted the biggest electoral defeat of his career. The successful widespread mobilization of DEM supporters to protect their democratic rights, which was unprecedented since 2015, must have also played a role. This has opened a window of opportunity for the Kurdish political movement to halt its decline and resurge.

## The Post-March 2024 Period: What Lies Ahead?

While DEM voters in major western Turkish cities, where their party struggles in first-past-the-post elections, predominantly backed the CHP, the DEM Party's significant achievement lies in halting its decline across the Kurdish-majority region. This clearly reflects the Kurdish electorate's persistent opposition to the ruling bloc's policy of governing Kurdish cities through



Photo above: People's Equality and Democracy Party (DEM Party) co-chairman Tülay Hatimoğulları Oruç (C) makes a press statement during a rally in Istanbul to protest the dismissal of Hakkari mayor Mehmet Siddık Akış. Photo by Onur Dogman/SOPA Images/LightRocket via Getty Images.

appointed trustees. However, a halt in the party's decline does not signify a resolution of the DEM Party's crisis, which, as this piece argues, began in 2015. To regain its former strength, both in Kurdish-majority cities and across Turkey more broadly, DEM must address this crisis. This may require reclaiming its rightful role as the leading representative of Turkey's Kurds, even if that means challenging the influence of Öcalan and/or the PKK.

The DEM Party must also grapple with the evolving demographics and social fabric of the Kurdish population. Urbanization and educational attainment are both on the rise among Kurds. A significant majority now reside in urban centers, often their birthplaces.<sup>10</sup> Additionally, the proportion of

Kurds reporting harm from the violent conflict between the TSK and the PKK has nearly halved over the past decade, dropping from 50% to 30%.<sup>11</sup> These trends suggest that the DEM Party's conventional post-2015 platform will likely struggle to resonate with future Kurdish voters.

The recent 2023 and 2024 elections, too, underscore the urgency for the DEM to address its post-2015 crisis. While its decline in the Kurdish-majority region appears to have halted, its consistent losses among Kurds in western Turkey continue to raise concerns about the party's long-term viability in Turkish politics. In fact, a May 2024 Rawest Research poll indicates that a majority of Kurds nationwide remain dissatisfied with the DEM Party's overall performance,

10. Vahap Coşkun, "Kürt Barometresi," *Perspektif*, accessed June 17, 2024. <https://www.perspektif.online/kurt-barometresi/>.

11. Mesut Yeğen, "Kürt Barometresi," *Perspektif*, accessed June 17, 2024. <https://www.perspektif.online/kurt-barometresi-2/>.

expressing willingness for its further “Turkeyfication.”<sup>12</sup> Notably, the growing Kurdish support for the CHP in 2023 and 2024 suggests that Kurdish voters across the country, particularly in the west of Turkey, have broader political concerns beyond the peaceful resolution of the Kurdish issue.

For the time being, the DEM and the AKP remain the dominant forces in Turkey’s Kurdish-majority region, but the CHP’s impressive gains in the 2023 and 2024 elections suggest it is emerging as a credible alternative for Kurdish voters. Reflecting this trend, the Rawest poll shows that Kurdish voters across Turkey increasingly view CHP politicians like Ekrem İmamoğlu, Özgür Özel, and even Mansur Yavaş as more credible than President Erdoğan. If the CHP capitalizes on this momentum by solidifying its relationship with the Kurds and offering more concrete policy solutions on the Kurdish issue, the DEM Party should be aware that the CHP, under the leadership of young and charismatic figures like İmamoğlu and Özel, could become a focal point for secular, educated, and urban Kurds.

Most significantly, the Rawest poll underscores Demirtaş’s enduring popularity as the leading politician among Kurds nationwide. Hailed as “the first-ever civilian leader of Kurds,”<sup>13</sup> the data suggests Demirtaş has exceptional unifying power across various Kurdish segments in Turkey. Notably, his popularity surpasses that of the DEM Party itself. While the post-2015 crisis unfolded under his leadership, the unwavering loyalty of Turkish Kurds to both Demirtaş and the “Turkeyfication” project underscores their desire for strong political representation within Turkish politics. This again highlights the DEM Party’s immense potential for regaining ground if it confronts its post-2015 challenges head-on.

The DEM’s failure to address its post-2015 crisis not only led to its steady decline until 2023 but also provided ammunition for the authoritarian ruling bloc to intensify its oppression of the party. Continuing the current status quo, which makes the DEM Party appear overshadowed by the PKK, risks further decline

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12. "Kürt Meselesi, Kürt Siyaseti ve Demirtaş," *Rawest*, May 2024, accessed June 17, 2024. <https://rawest.com.tr/wp-content/uploads/2024/05/Raporun-tamamini-buraya-tiklayarak-indirebilirsiniz.pdf>.

13. "Demirtaş, Kürtlerin İlk Sivil Lideri Olmaya Namzet," *VOA Türkçe*, accessed June 17, 2024. <https://www.voaturkce.com/a/demirtas-kurtlerin-ilk-sivil-lideri/7607162.html>.

and empowers the ruling bloc under President Erdoğan. The harsh court rulings against the civilian wing of the Kurdish movement, including Demirtaş, in the May 16th “Kobane case”<sup>14</sup> and the government’s decision to remove the DEM mayor of Hakkari and appoint a trustee<sup>15</sup> exemplify this danger. In the face of this growing pressure, the DEM Party’s only chance is to stop being “a victim of the process” and produce a new politics based on the popular support it enjoys.

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14. "Turkey Convicts Former Pro-Kurdish Party Officials Over Kobani Protests," *Reuters*, May 16, 2024, accessed June 17, 2024. <https://www.reuters.com/world/middle-east/turkey-convicts-former-pro-kurdish-party-officials-over-kobani-protests-2024-05-16/>.

15. "Turkish Gov't Appoints Trustee to Hakkari Municipality, Detains Pro-Kurdish Mayor," *Duvar English*, June 3, 2024, accessed June 17, 2024. <https://www.duvarenglish.com/turkish-govt-appoints-trustee-to-hakkari-municipality-detains-pro-kurdish-mayor-news-64448/>.

# NORMALIZING TRANSACTIONALISM: TURKISH FOREIGN POLICY AFTER THE 2023 ELECTIONS

EVREN BALTA

## Introduction

The dynamics of power in the international arena have undergone significant shifts since the early 2000s, resulting in an asymmetric multipolarity characterized by ever-changing capabilities among regional powers. Consequently, the delineation between war and peace has become increasingly nebulous, while deregulation stands as a fundamental force in international relations. For emerging middle powers like Turkey, this evolving landscape has simultaneously expanded and constricted their maneuverability.<sup>1</sup>

Against this backdrop, Turkey's approach to alliances has also evolved. While maintaining its long-standing membership in the Western alliance, Turkey has increasingly sought to assert its autonomy, testing the limits of this alliance. Particularly following the Arab uprisings of 2010-11, Turkey shifted from a politics of strict alliance adherence toward a more autonomous foreign policy posture. Yet this posture has faced major challenges. Unlike many other middle powers, Turkey remained deeply embedded within Western institutions and norms as a member of the North Atlantic Treaty Organization (NATO). Yet Turkey aspired to transcend its status as a medium-sized power and assert itself as a regional influencer.<sup>2</sup>

This ambition manifested itself through increased military interventions abroad, attempts to shape regional conflicts via transnational ties, and efforts to leverage soft power to

expand its influence. While enhancing the ruling Justice and Development Party's (AKP) domestic authority and enabling autocratization, these efforts complicated the maintenance of Turkey's alliances.<sup>3</sup> Political elites increasingly perceived the emergence of a post-Western world order, fostering a desire for greater independence from the West.<sup>4</sup> A number of changes, including a growing regionalization of the Kurdish issue; the alliance in Syria between the Democratic Union Party (PYD), the People's Protection Units (YPG), and the US; the 2016 coup attempt and resulting deepening of security concerns emanating from the West; and a gradual transition in foreign policy focus toward the Muslim world, all contributed to a perception that Turkey is shifting its foreign policy axis rather than employing either autonomy or balancing.

In recent years, however, Turkey's foreign policy has once again undergone a significant transformation, driven by several factors. Firstly, the economic crisis that intensified around 2022 led Ankara to prioritize its efforts to seek both foreign financing and investment. This had its sharpest and most pronounced impact on foreign policy. Secondly, Russia's February 2022 invasion of Ukraine led to increased cohesion among the Western alliance and a recoding of Russia as one of the main threats to the global system for the West.<sup>5</sup> More importantly, the war in Ukraine has weakened the tools that enabled Turkey to balance the Western alliance through its

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3. Gönül Tol, *Erdoğan's War: A Strongman's Struggle at Home and in Syria* (Oxford: OUP, 2023).

4. Mustafa Kutlay and Ziya Öniş, "Turkish foreign policy in a post-western order: strategic autonomy or new forms of dependence?," *International Affairs* 97, no. 4 (2021): 1085-1104, <https://doi.org/10.1093/ia/iiab094>.

5. Evren Balta and Soli Ozel, "Un moment fondateur pour l'ordre du monde," in *Guerre en Ukraine et nouvel ordre du monde* (Paris: Éditions de l'Observatoire, February 2023).

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1. John de Bhal, "Rethinking 'middle powers' as a category of practice: stratification, ambiguity, and power," *International Theory* 15, no. 3 (2023): 404-27, <https://doi.org/10.1017/S1752971923000118>.

2. Meliha Benli Altunışık, "The trajectory of a modified middle power: an attempt to make sense of Turkey's foreign policy in its centennial," *Turkish Studies* 24, no. 3-4 (2022): 658-72, <https://doi.org/10.1080/14683849.2022.2141624>.



Photo above: The Republic of Turkey Ministry of Foreign Affairs building rises high in the skyline over the Turkish capital of Ankara. Photo by Diego Cupolo/NurPhoto via Getty Images.

relationship with Russia. This highly destructive war, which is taking place on its doorstep, increased Turkey's need for NATO's capabilities to ensure Black Sea security. Finally, the emergence of an anti-Turkey bloc among regional actors including the United Arab Emirates, Saudi Arabia, Egypt, and Israel, coupled with broader normalization trends in the Middle East, compelled Ankara to recalibrate its aspirations for regional hegemony.

Indeed, the AKP's pursuit of hegemony in the Middle East between 2011 and 2021 ultimately resulted in a notable failure. The ideological framework of political Islam and support for the Muslim Brotherhood proved unsustainable, leading to its abandonment in the face of the emergence of formidable opposing blocs. In other words, similar to the normalization trends in domestic politics, the AKP government has also bolstered normalization in foreign policy, aiming for

integration into regional and international blocs. The domestic economic and political crises further underscored this trend, and the results of the March 2024 local elections demonstrated to the government that its polarizing discourse no longer resonates either inside or outside the country. In what follows, this article will first review the changing domestic political dynamics of foreign policy, then focus on Turkey's role in the Western alliance with a specific emphasis on the Ukrainian War, and finally, assess the Middle East normalization process in light of the Gaza conflict.

## Domestic Politics and Foreign Policy

Identity politics and polarization along the conservative-secular divide have been the primary drivers of the AKP's sustained electoral support, cementing its base within



Photo above: Turkish President Recep Tayyip Erdoğan (L) is welcomed by Italian Premier Giorgia Meloni (R) during the 50th G7 summit in Brindisi, Apulia, Italy, on June 14, 2024. Photo by Valeria Ferraro/Anadolu via Getty Images.

the Turkish electorate. However, it would be inaccurate to attribute the party's electoral success solely to identity politics and partisanship. The AKP has also adeptly utilized both formal and informal redistributive mechanisms to maintain its political dominance. Policies such as increases in the minimum wage and the provision of free healthcare services for the unemployed or low-income groups were expanded under the AKP, to consolidate voter support. The construction sector played a pivotal role as well, particularly during the AKP's growth phase, with mega-projects and construction initiatives overseen by government allies generating significant rents and bolstering voter support.<sup>6</sup>

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6. Evren Baltalı, Seda Demiralp, and Selva Demiralp, "Debating voter defection in Turkey," *Turkish Studies* 24, no. 5 (2023): 739-63, <https://doi.org/10.1080/14683849.2023.2200941>.

However, the party's economic success became unsustainable from 2020 onwards, disrupting its authoritarian bargain.<sup>7</sup> The escalating fiscal deficit, combined with challenges like increasing unemployment and soaring inflation, heightened the conflicts of interest between voters and the AKP's elite base. Specifically, low-income groups began to withdraw their support from the party due to the rising cost of living and economic instability. While the high cost of living posed a challenge for low-income groups, economic uncertainty presented a risk for entrepreneurs. By 2023, these factors had contributed to the party's difficulties in maintaining its "winning coalition."

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7. Seda Demiralp and Evren Baltalı, "Defeating Populists: The Case of 2019 Istanbul Elections," *South European Society and Politics* 26, no. 1 (2021): 1-26, <https://doi.org/10.1080/13608746.2021.1923639>.

Given these conditions, the government set two primary objectives for itself in 2023: firstly, to implement redistributive measures aimed at preserving voter support for the crucial May 2023 elections; and secondly, to tackle the international financing gap stemming from challenges to Turkey's macroeconomic stability. Confronted with this dual mandate, the government prioritized addressing the costs of the electoral economy in the first half of 2023, followed by implementing macroeconomic stabilization policies in the latter half of the year. The substantial redistributive spending before the 2023 elections, however, strained the budget, diverting resources away from post-election economic stabilization efforts, and ultimately contributing to the AKP's electoral loss in the March 2024 local elections.

Parallel to the domestic context, the economic crisis has significantly influenced the reshaping of foreign policy. While geopolitical factors and national (and regime) security considerations were the primary drivers of foreign policy in the past decade, the deepening economic crisis has elevated the importance of economic factors.<sup>8</sup> Following the May 2023 elections, Ankara, with the newly appointed Finance Minister Mehmet Şimşek, initiated efforts to secure additional funds and foreign investment to address its economic challenges. In mid-July, President Recep Tayyip Erdoğan undertook an official visit to the Gulf states to seek economic support, signing a series of memoranda of understanding with leaders from Saudi Arabia, the UAE, and Qatar.<sup>9</sup> These efforts were in line with the normalization process that began in the early months of 2022, starting with engagements with the UAE and subsequently with Saudi Arabia.

Yet European markets and investment are ultimately needed to ensure macroeconomic stabilization. Key economic sectors, like automobiles, textiles, and steel, which account for a substantial portion of Turkey's exports, rely heavily on the European market. As Onur İşçi and Samuel Hirst note, Turkey's economic dynamics are characterized by dependence on Russia for supplying energy, China for importing inexpensive

goods, and Europe for selling the goods it manufactures.<sup>10</sup> At the same time, Ankara's confrontational rhetoric toward Western capitals began to soften, with bilateral talks, especially with the US, accelerating. Perhaps one of the most significant indicators of this new approach was the resumption of the Turkish-Greek dialogue. Numerous high-level meetings between Turkey and Greece were held throughout 2023, during which both parties agreed to identify areas for bilateral and international agreements and cooperation. In December 2023, President Erdoğan and Greek Prime Minister Kyriakos Mitsotakis signed the "Athens Declaration on Friendly Relations and Good Neighborliness." In 2024, talks continued between Turkey and Greece, with energy and defense cooperation high on the agenda.

## Turkey in the West

The economy was certainly not the sole driver of Turkey's détente with the West. The conflict in Ukraine had already reshaped Ankara's relations with the Western alliance, fostering reconciliation. Yet these developments do not necessarily indicate that Turkey and the West are moving toward a renewed alliance; instead, enduring conflicts persist and trust issues remain unresolved. Realignment is mostly about the normalization of transactional relationships, which differs from past eras when reconciliation occurred on more substantive grounds. More importantly, the "normalization of transactionalism" occurred in the shadow of the AKP's triumph in the 2023 elections, which bolstered the sentiment in Western political circles that cooperation with Erdoğan was the most pragmatic option available.

## Turkey and the EU

Turkey's relationship with the European Union suffered its most significant setback during this period as well. It was defined by transactionalism and a lack of principled policy. For example, the EU's report on "the state of EU-Turkey political, economic, and trade relations," released on Nov. 29, 2023, paid lip service to Turkey's full membership perspective while exempting it from the obligations of democracy and the rule of

10. Onur İşçi and Samuel Hirst, "Turkey's Elections and Foreign Policy Options," *War on the Rocks*, May 1, 2023, <https://warontherocks.com/2023/05/turkeys-elections-and-foreign-policy-options/>.

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8. Galip Dalay, "How will geopolitics shape Turkey's international future?" *Chatham House*, June 5, 2023, <https://www.chathamhouse.org/2023/06/how-will-geopolitics-shape-turkeys-international-future>.

9. "Turkey's Erdogan arrives in Saudi Arabia to kick off Gulf tour," *Al Jazeera*, July 17, 2023, <https://www.aljazeera.com/news/2023/7/17/turkeys-erdogan-arrives-in-saudi-arabia-to-kick-off-gulf-tour>.

law, previously considered prerequisites for EU accession. The report attributed the potential advancements in visa facilitation and the customs union not to democratization in Turkey but to Turkey-EU alignment on foreign policy issues, such as Cyprus and the Eastern Mediterranean.

The conclusions of the Extraordinary European Council of April 17-18, 2024, further emphasized Cyprus as a central issue in Turkish-EU relations, while refraining from proposing any measures to advance strategic cooperation between the two sides.<sup>11</sup> In response, Turkey's foreign ministry announced that, "Turkey will reassess its dialogue with the EU based on reciprocity, considering the pace, level, and scope of the EU's actions toward Turkey."<sup>12</sup> Immediately after, Turkey opted out of participating in the celebrations commemorating the 20th anniversary of the EU's enlargement. In summary, by 2024, the membership perspective was entirely off the agenda and the normative dimension of relations had nearly vanished.

## Turkey, the US, and NATO

In the post-election period, the transactional nature of Turkish-American ties has remained pronounced. Even before the elections, NATO enlargement was a significant point of contention between Ankara and Washington. Initially, Turkey granted Finland approval for NATO membership, a decision endorsed at NATO's Vilnius summit in July 2023. However, Turkey exercised its veto power to block Sweden's membership, postponing it until after the elections. Discussions suggested that Turkey leveraged its veto to negotiate arms deals with the US, specifically the sale of F-16 fighter jets and modernization kits. President Erdoğan even proposed synchronizing the votes on the F-16 sale in the US Congress and Swedish NATO membership in the Turkish Grand National Assembly. Eventually, in December 2023, Sweden's NATO Accession Protocol was approved

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11. Nilgün Arınsan Eralp, "Are the Recent European Council Decisions on Türkiye Hypocritical?," TEPAV Publications, April 2024, [https://www.tepav.org.tr/upload/mce/2024/notlar/are\\_the\\_recent\\_european\\_council\\_decisions\\_on\\_turkiye\\_hypocritical.pdf](https://www.tepav.org.tr/upload/mce/2024/notlar/are_the_recent_european_council_decisions_on_turkiye_hypocritical.pdf).

12. Republic of Türkiye Ministry of Foreign Affairs, "No: 63, 18 April 2024, Regarding the Conclusions of the Extraordinary European Council of 17-18 April 2024," press release, [https://www.mfa.gov.tr/no\\_-63\\_-17-18-nisan-2024-tarihli-ab-devlet-ve-hukumet-baskanlari-ozel-zirvesi-sonuclari-hk.en.mfa](https://www.mfa.gov.tr/no_-63_-17-18-nisan-2024-tarihli-ab-devlet-ve-hukumet-baskanlari-ozel-zirvesi-sonuclari-hk.en.mfa).

by the Turkish parliament. Following Turkey's ratification of Sweden's NATO membership, the US Congress authorized the sale of F-16 jets to Turkey.<sup>13</sup>

Turkey's major disagreements with the US from previous years, including issues like the sanctions over its acquisition of the Russian S-400 missile defense system, the extradition of Fethullah Gülen, and the case against Turkish state-owned lender Halkbank, have faded from the bilateral agenda. However, the matter of US support for the YPG/PYD in Syria still remains a significant point of contention. President Erdoğan has consistently underscored Turkey's stance on the YPG/PYD, urging greater US support for combating terrorism in the region. Although a dialogue between Turkey and the US regarding Syria does not seem to be on the horizon, at least for now, the two countries are fostering one on Iraq. Most significantly, a four-way memorandum of understanding involving Turkey, Iraq, Qatar, and the UAE, aimed at facilitating collaboration on Iraq's Development Road regional connectivity project, was signed with backing from the US during President Erdoğan's visit to Iraq in late April.<sup>14</sup>

Turkey has also maintained its crucial role as a significant player for the US, especially in the conflicts in Ukraine and Gaza. While these developments suggest there is a certain potential for improvement in bilateral relations, they do not yet signify a mutual dedication to fixing ties, as distrust continues to characterize the relationship. The issues surrounding President Erdoğan's visit to the US, which has been continuously postponed, indicate ties between the two nations remain unrepaired.<sup>15</sup>

One important stumbling block in relations has been the issue of compliance with sanctions on Russia. In 2023, Turkey-

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13. Matthew Lee, "US approves F-16 fighter jet sale to Turkey, F-35s to Greece after Turkey OKs Sweden's entry to NATO," *AP News*, January 26, 2024, <https://apnews.com/article/us-turkey-sweden-nato-ukraine-russia-02418dd7644bc8865fdafdf4c848dbd>.

14. "Türkiye ile Irak arasında 26 anlaşma imzalandı," *Bloomberg HT*, April 22, 2024, <https://www.bloomberght.com/turkiye-ile-irak-arasinda-26-anlasma-imzalandi-2351450>.

15. Barçın Yınanç, "Vaşington ziyareti neden ertelendi-iptal edildi?," *T24*, April 28, 2024, <https://t24.com.tr/yazarlar/barcin-yinanc/vasington-ziyareti-neden-ertelendi-iptal-edildi,44573>.





Photo above: Turkish President Recep Tayyip Erdoğan (L) meets US President Joe Biden within the NATO Heads of State and Government Summit in Vilnius, Lithuania on July 11, 2023. Photo by TUR Presidency/Murat Cetinmuhurdar/Anadolu Agency via Getty Images.

Russia trade surpassed \$65 billion,<sup>16</sup> indicating deep economic ties, prompting objections from the Western alliance.<sup>17</sup> However, in the post-election period, following a series of visits by US officials, Ankara has become more compliant with sanctions policies to avoid offending Western markets. Around the same period, Turkey's initial role as a mediator in the Ukraine conflict notably dwindled. This was attributed to three

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16. Gökhan Yıldız, "Türkiye-Rusya ticaret hacmi 2023'te de 65 milyar doları aşacak," *Anadolu Agency*, November 23, 2023, <https://www.aa.com.tr/tr/ekonomi/turkiye-rusya-ticaret-hacmi-2023te-de-65-milyar-dolari-asacak/3062366>.

17. "Soaring Turkish Exports of Military-Linked Goods to Russia Raise Western Concerns - FT," *The Moscow Times*, November 27, 2023, <https://www.themoscowtimes.com/2023/11/27/soaring-turkish-exports-of-military-linked-goods-to-russia-raise-western-concerns-ft-a83224>.

key developments. Firstly, mediation became less prevalent as dynamics changed and the pace of the conflict evolved. Notably, the Black Sea grain deal, in which Turkey played a significant role as a mediator, collapsed, and both sides found alternative ways to bypass it. Secondly, Turkey's normalization efforts and defense ties with Ukraine created a sense of distance between Russia and Turkey. And finally, the ongoing Gaza conflict diverted the attention of Western capitals away from Russia and toward the Middle East.

## The Middle East and Normalization

Starting in September 2020, the Middle East began to normalize beyond Turkey's control, shaped by factors including the signing of the Abraham Accords between Israel, the UAE, and Bahrain; the resolution of the intra-Gulf dispute; the



Photo above: Turkish Foreign Minister Hakan Fidan (L) meets with Hamas Political Bureau Chairman Ismail Haniyeh (R) in Doha, Qatar on June 9, 2024. Photo by Arda Kucukkaya/Anadolu via Getty Images.

restoration of diplomatic ties between Iran and Saudi Arabia; and the gradual reintegration of Syria into the regional system. Turkey's foreign policy followed suit.

Following the 2013 coup d'état in Cairo, Turkey downgraded its diplomatic relations with Egypt and recalled its ambassador. Efforts to normalize relations between the two countries began in 2022 when President Erdoğan and Egyptian President Abdel-Fattah el-Sisi met. Normalization efforts continued in the post-election period. On July 4, 2023, with the Turkey-Egypt Joint Statement, Ankara and Cairo decided to raise their diplomatic relations to the ambassadorial level. Turkish Foreign Minister Hakan Fidan paid a visit to Egypt on Oct. 13-14, 2023, during which the two countries announced their mutual interest in defense and trade cooperation.<sup>18</sup>

18. Republic of Türkiye Ministry of Trade, "Türkiye ve Mısır Ticaret

As a result of heightened competition for regional hegemony after 2011 and Turkey's close relations with Qatar and the Muslim Brotherhood, Ankara's ties with Riyadh and Abu Dhabi became strained. The murder of Saudi journalist Jamal Khashoggi further increased tensions between Turkey and Saudi Arabia after 2018. Softening with both countries had already begun in 2022 but increased significantly in the post-election period. During President Erdoğan's visit to Saudi Arabia on July 17, 2023, 18 investment and cooperation agreements were signed between the two countries, covering sectors as varied as agriculture, industry, defense, health, renewable energy, and the space industry. The UAE, too, has rapidly progressed in normalizing relations

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Hacminin 15 Milyar Dolara Çıkarılması Hedeflenmektedir," August 1, 2023, <https://ticaret.gov.tr/haberler/turkiye-ve-misir-ticaret-hacminin-15-milyar-dolara-cikarilmasi-hedeflenmektedir>.

with Turkey, and important steps were taken with President Erdoğan's visit to the UAE and President Mohamed bin Zayed Al Nahyan's visit to Turkey.<sup>19</sup>

Despite efforts to normalize relations with Syrian President Bashar al-Assad, Turkey's Syria policy continued to follow a complicated course. Initially, ministerial meetings with Turkey, followed by participation in Arab League and Organization of Islamic Cooperation meetings, marked the beginning of a clear process of diplomatic reacceptance of Damascus.<sup>20</sup> Turkey's military presence in Syria remained a major point of tension in its relations with that country as well as with Iran, Russia, and the United States. Iran continued to voice its objections to Turkey's military presence in Syria in 2023, urging Ankara to withdraw its troops in exchange for assurances that the Damascus administration would not pose a threat to Turkish territory.<sup>21</sup> The transborder dimension of the Kurdish question and the issue of the (voluntary) return of Syrian refugees have brought Syria back into the spotlight as an important part of the Turkish domestic political agenda. In short, while engagement with the Assad regime in 2024 is on the table, the Syrian issue still poses a challenge for Turkish foreign policy.

## The Gaza War

The systemic changes supporting regional normalization efforts after 2021 were significantly altered by the Hamas attack against Israel on Oct. 7, 2023 and Israel's subsequent offensive in Gaza. Turkey's diplomatic relations with Israel were strained by the "one-minute" incident at Davos in 2009 between Erdoğan and Israeli President Shimon Peres as well as the Israeli operation against the Mavi Marmara aid flotilla to Gaza a year later. After 12 years of frosty relations, diplomatic

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19. "Türkiye'nin Suudi Arabistan ve BAE hamlesi sonucu verdi: Tam 11 milyar dolar," *Yirmidort TV*, January 11, 2024, <https://www.yirmidort.tv/ekonomi/lider-diplomasisi-turkiyenin-suudi-arabistan-ve-baeye-ihracatina-da-yansidi-147073>.

20. Serhat Erkmen, "2024'te Suriye'yi ne bekliyor: Göç, çatışma, diplomasi," *Fikir Turu*, January 8, 2024, <https://fikirturu.com/jeo-strateji/2024te-suriyeyi-ne-bekliyor-goc-catisma>.

21. "İran'dan Türkiye'ye: Suriye'deki askerleri bizim garantörlüğümüzde çekin," *Euronews*, September 18, 2023, <https://tr.euronews.com/2023/09/18/irandan-turkiyeye-suriyedeki-askerleri-bizim-garantorlugumuzde-cekin>.

ties were re-established in 2022 when both Turkey and Israel appointed ambassadors, and the Israeli president and defense minister visited Turkey. However, even during this period, Ankara's ties with Hamas remained a security concern for Tel Aviv, which criticized Turkey for hosting terrorists. Notably, Turkey gave Turkish passports to and hosted Hamas leaders, and asked them to leave only after the Oct. 7 attack, citing security concerns for their well-being.

The conflict in Gaza has underscored the challenges facing Turkey's reconciliation efforts with Israel. Ankara's current strategy is inspired by multiple factors: Firstly, the AKP leadership's unwavering support for the Palestinian cause and its ideological affinity with Hamas. Secondly, efforts at rapprochement aimed at alleviating Turkey's isolation and bolstering its economy necessitate maintaining ties within the Western alliance, while also avoiding alienating Israel and Arab states in the region. Thirdly, Ankara continues to harbor hegemonic aspirations, which are evident through its adoption of instruments such as mediation.<sup>22</sup> Lastly, domestic political developments also significantly influence its rhetoric and strategy.

From the outset of the conflict, Turkey maintained diplomatic and commercial ties with Israel while taking a critical stance in its discourse, condemning Israel, characterizing certain groups as freedom fighters, and criticizing the West for its perceived double standards. This stance hardened as the conflict progressed. The recent local elections on March 31 hold significant importance in this context, as the ruling AKP lost a considerable portion of its conservative and Islamist vote to the far-right New Welfare Party (YRP). Central to the YRP's critique of the AKP during the campaign was the perception that the government's policies toward Israel were merely symbolic and lacked substance. Specifically, the YRP criticized Turkey's ongoing trade with Israel and identified the issue as a barrier to a potential electoral coalition with the AKP. Immediately after the elections, the Ministry of Trade announced restrictions on trade with Israel in 54 key goods, and it subsequently expanded the restrictions to cover all imports and exports in early May.

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22. Sinem Adar, "Turkey's Response to the War in Gaza," *War on the Rocks*, November 1, 2023, <https://warontherocks.com/2023/11/turkeys-response-to-the-war-in-gaza/>.

Regarding its hegemonic aspirations and the instrumentalization of its links with Hamas, Ankara has consistently expressed a willingness to mediate the Gaza conflict. In its initial stages, Foreign Minister Hakan Fidan proposed a “guarantor formula” within the framework of a two-state solution based on the 1967 borders. Turkey’s call for an increased role in conflict resolution did not receive support from Israel, the US, or other countries in the region. Instead, Qatar and Egypt played a mediating role in the ceasefire and hostage exchange, with the former using its close contacts with Hamas.<sup>23</sup>

As Qatar’s mediation efforts reached their limits, Ankara has attempted to leverage its existing connections to the relevant parties to create an opportunity that would enable it to reclaim the sought-after role of regional power by insisting on being a mediator to the conflict. On April 20, President Erdoğan and Foreign Minister Fidan met in Istanbul with Ismail Haniyeh, the head of the political bureau of Hamas. This meeting followed remarks from Erdoğan likening Hamas fighters to the Turkish resistance forces of the 1920s. After subsequent discussions, Ankara affirmed that Hamas would be willing to dissolve its military wing if a Palestinian state were established within the 1967 borders. This initiative aimed to reshape Hamas’ image, positioning both Turkey and the organization to be potentially involved in the resolution of the Israeli-Palestinian conflict.

## Normalization as Consolidation of Transactionalism

As in previous years, Turkey’s foreign policy in the post-election period was shaped by the changing dynamics of regional politics, as Ankara sought to balance its economic challenges with domestic calculations and regional aspirations. Continuing the pre-election normalization trends, Ankara has worked to normalize its relations with both Western allies and regional actors, somewhat at the expense of its ties with Russia.

The normalization trend observed in Turkey’s bilateral relations is not only about the re-establishment of diplomatic ties,

but also the consolidation of transactionalism. Authoritarian rulers, long criticized for their disregard for human rights, are now being incorporated into the system under the guise of normalization. Changes in behavior regarding the rule of law and good governance remain significant factors in Turkey’s relations with the West, particularly in shaping the success of its macro-economic stabilization program. However, their importance in directly influencing foreign policy has been substantially reduced.

This was the trend prior to the March 2024 local elections. Yet once again, Turkey’s political landscape shifted as a result of these elections, with a renewed focus on democratization as President Erdoğan and the AKP faced their biggest electoral defeat in over two decades. While this defeat might not directly signal a shift in Ankara’s foreign policy, it undoubtedly challenges the claims to legitimacy of Erdoğan’s government, thereby constraining its domestic and foreign policy options. Whether this signifies a disruption in the consolidation of transactionalism or prompts Western allies to find ways to engage with the opposition (and democracy) remains to be seen.

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23. Feyza Gümüşlüoğlu, “Katar İsrail-Hamas Arasında Nasıl ‘Arabulucu’ Oldu?,” *Perspektif Online*, December 6, 2023, <https://www.perspektif.online/katar-israil-hamas-arasinda-nasil-arabulucu-oldu/>.

# THE WEIGHT OF PAST MISTAKES AND THE POST-ELECTION PUSH FOR ECONOMIC NORMALIZATION

M. MURAT KUBILAY

## Introduction

For years under President Recep Tayyip Erdoğan, Turkey pursued an unconventional monetary policy, maintaining excessively low interest rates, burning through the Central Bank's foreign currency reserves to keep the exchange rate stable, and providing foreign exchange (FX) protection for a quarter of all demand deposits, among other measures. The situation, long untenable, finally became unsustainable in the run-up to the presidential and parliamentary elections in May 2023. In the immediate aftermath of the vote, President Erdoğan announced a dramatic shift, returning to orthodox monetary policy and appointing a well-known and market-friendly minister of finance, Mehmet Şimşek, along with a new governor of the Central Bank of the Republic of Turkey (CBRT), Hafize Gaye Erkan. Both individuals had strong reputations and market participants gave them credit despite President Erdoğan's ideological approach to economic policy. Although Mrs. Erkan later resigned from her post for personal reasons and was replaced by Deputy Governor Fatih Karahan, this did not change the trajectory of the macroeconomic outlook and the policy of economic normalization has continued apace.

The damage caused by years of bad policy was extensive and, as a result, the Turkish economy was slow to recover. However, the potential catastrophic outcomes of these policies, such as an inability to redeem external debt or pay import bills, were avoided at the last minute. Financial stability was shored up fairly quickly, and prices for stocks, government bonds, and houses began to normalize rapidly as well. While there was significant skepticism about the policy changes and the country's new economic direction among investors, businesses, and households at the start, as the months went on it became clear that the reforms were genuine and set to continue. Erdoğan's government and its

point person on economic policy, Mr. Şimşek, have done much to persuade them. The changes worked well enough that investors were convinced that the worst might be over for the Turkish economy, although the view among the public was different, as many increasingly felt that the side effects of the new economic policies would be harsh and would directly affect them.

The government's efforts to bolster the Turkish economy and restore investor confidence have gone through several distinct phases since the 2023 general elections. While there have been tangible improvements on a number of fronts as a result, the country faces both declining household purchasing power in the short term and a range of broader economic challenges in the longer run.

## The First Phase: The New Administration's Honeymoon Period

Mr. Şimşek was announced as the new minister of treasury and finance on June 3, 2023,<sup>1</sup> and Mrs. Erkan was appointed as the new governor of the CBRT on June 9, 2023.<sup>2</sup> Interventions to support the exchange rate stopped and market watchers keenly awaited the first meeting of the CBRT's Monetary Policy Committee (MPC) in late June to see what would happen to interest rates. Fortunately, the result was the first rate hike — a rise from 8.5% to 15% — after a long period of ultra-low real

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1. "Turkey's Erdogan appoints Mehmet Simsek as finance minister," *Reuters*, June 3, 2023, <https://www.reuters.com/world/middle-east/turkeys-erdogan-appoints-mehmet-simsek-finance-minister-2023-06-03/>.

2. "Who is Hafize Gaye Erkan, Turkey's new central bank chief?," *Al Jazeera*, June 9, 2023, <https://www.aljazeera.com/news/2023/6/9/who-is-hafize-gaye-erkan-turkeys-new-central-bank-chief>.

interest rates, with nominal rates below inflation. The next MPC meeting in July came as a disappointment though, with an additional hike of just 250 basis points, even as inflation topped 38%.<sup>3</sup> With policy normalization proceeding at a less than rapid pace, the lira continued to depreciate. On July 28, 2023, three more qualified new candidates were appointed as deputy governors of the CBRT, a move that the market greeted positively.<sup>4</sup> The policy rate was subsequently hiked again, to 25%, in the next MPC meeting in August, bringing it to the highest level since the decisive end of the 2001 economic crisis in 2004. These measures, though certainly welcomed, came late, significantly limiting their potential impact. At the end of the new administration's first two months, the results were mixed: The worst was prevented but no permanent improvement had been achieved

## The Second Phase: Monetary Policy was Almost Strong Enough

In the second phase, the administration took further steps to normalize monetary policy and more rate hikes were implemented. The depreciation of the lira slowed down thanks not only to higher rates but also to the introduction, once again, of currency interventions. However, the sale of FX reserves was not as excessive as it had been before the election. Neither the preannounced exchange rate band nor the de facto fixed exchange rate were applied. Instead, the depreciation of the lira continued at a slower pace without causing a sharp decline in total FX reserves. The CBRT policy rate reached 40% in November 2024, gradually rebuilding trust among corporate investors.

But then a new and unexpected problem arose over allegations of unprofessional behavior by Mrs. Erkan in December 2023. Although she denied them and promised to take legal action,<sup>5</sup>

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3. Ezgi Erkoyun and Nevzat Devranoglu, "Turkey hikes again below expectations, promises more tightening," *Reuters*, July 20, 2023, <https://www.reuters.com/markets/rates-bonds/turkey-raises-rate-by-250-bp-175-below-expectations-2023-07-20/>.

4. Ezgi Erkoyun, "Turkey's Erdogan appoints three central-bank deputy governors, boosting bonds," *Reuters*, July 28, 2023, <https://www.reuters.com/world/middle-east/turkeys-erdogan-appoints-three-deputy-governors-central-bank-2023-07-27/>.

5. Beril Akman, "Turkish Central Bank Chief Says Reports on Family Are

reports alleging that her father was involved in critical decisions at the CBRT caused surprise and unease in the market. She was subsequently absent for a month from Ankara and spent an unusual amount of time in New York. As more evidence and witnesses emerged, it amplified the claims against her, turning the issue into a real scandal without her promised legal action to counter it. The public perception was that she would be dismissed by President Erdoğan soon after the March 2024 local elections. The probability that her replacement would be opposed to monetary normalization was a risk that the market took seriously. Ultimately, she was forced to resign and was replaced by Mr. Karahan, a respected economist with Federal Reserve experience, as CBRT governor on Feb. 2, 2024.<sup>6</sup> The policy rate was already at 45% and his initial statements removed any doubts in the market. Net capital flows were balanced and the only major concern was over the use of fiscal policy and the government's very high levels of spending compared to its much more limited tax revenues. Monetary policy was tight for the most part, but the same could not be said about fiscal policy due to the approaching elections.

## The Third Phase: Financial Instability Is Out of the Question

Under these conditions, the natural reactions by households and businesses are strong consumer spending and raw material purchases using loans as well as heightened demand for FX and gold as investments. Although the policy rate was increased gradually, the 35% depreciation of the lira after the May 2023 general elections resulted in an expectation that the same would happen again after the March 2024 local elections. Therefore, the slow gains achieved after the general elections were put at severe risk. In just two months, from late January to late March 2024, the CBRT's net FX position — net reserves when swap agreements are removed — declined dramatically from \$46 billion to -\$76 billion, roughly where it had stood before the May 2023 elections.<sup>7</sup> The Turkish lira was

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Baseless," *Bloomberg*, January 19, 2024, <https://www.bloomberg.com/news/articles/2024-01-19/turkey-central-bank-chief-hafize-gaye-erkan-says-reports-on-family-are-baseless?embedded-checkout=true>.

6. "Turkey Central Bank Governor Quits and Points to Campaign against Her," *Financial Times*, February 2, 2024, <https://www.ft.com/content/026e961c-23de-48a2-b3ad-670c7d8de219>.

7. "International Reserves and Foreign Currency Liquidity,"



Photo above: Hafize Gaye Erkan, then governor of the Central Bank of the Turkish Republic, speaks at an inflation report briefing in Ankara on July 27, 2023. Photo by Mustafa Kaya/Xinhua via Getty Images.

about to depreciate heavily due to a self-fulfilling prophecy by consumers, businesses, and retail investors.

This unexpected market reaction could only be reined in by an unexpected rate hike to 50%,<sup>8</sup> the highest level in the 22 years of the Justice and Development Party's (AKP) rule, and it was delivered by the CBRT without any hesitation. This hawkish move to ensure financial stability was a big success, quickly tamping down speculation about the depreciation of the lira.

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TCMB (Central Bank of the Republic of Türkiye), <https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/Statistics/Balance+of+Payments+and+Related+Statistics/International+Reserves+and+Foreign+Currency+Liquidity/>.

8. "Central Bank Interest Rates," TCMB (Central Bank of the Republic of Türkiye), <https://www.tcmb.gov.tr/wps/wcm/connect/en/tcmb+en/main+menu/core+functions/monetary+policy/central+bank+interest+rates>.

Rapid and strong de-dollarization began and led to a sharp decline in FX-denominated demand deposits by \$17.4 billion. In addition, owing to the cheaper cost of funding, the domestic real sector chose to borrow FX loans and converted them into lira deposit accounts to use the money in their daily operations or just to speculate on higher lira-denominated interest gains than the currency's likely minor depreciation. This indirectly contributed to the improvement of the CBRT's reserves by nearly \$18.2 billion.

High interest rates and the policy of limiting depreciation of the local currency sparked interest among international investors in pursuing gains through the carry trade. A form of uncovered interest arbitrage, the carry trade involves borrowing from low-yield markets, such as Switzerland, Japan, and China, and lending to high-yield markets, like Turkey, Egypt, and Mexico. The combination of a high yield and an announced



Photo above: Turkish Treasury and Finance Minister Mehmet Şimşek speaks at the 2024 Global Outlook Forum within the Institute of International Finance in Washington, DC, on April 17, 2024. Photo by Celal Gunes/Anadolu via Getty Images.

(but not officially guaranteed) strong currency attracted foreign investors after the local elections. Since the final rate hike in late March, roughly \$22 billion has poured into Turkish markets through swap agreements and equivalent instruments, alongside \$10.3 billion in portfolio inflows into treasury bills and Turkish government bonds.<sup>9</sup>

The CBRT took in all of this to address its major weak point, FX reserves, resulting in an unprecedented improvement of its FX reserves from -\$76 billion to positive territory in less than three months. Aside from the very low maturity of these flows, this was more than a success story — it was a miracle. While

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9. “Securities Statistics,” TCMB (Central Bank of the Republic of Türkiye), <https://www.tcmb.gov.tr/wps/wcm/connect/en/tcmb+en/main+menu/statistics/monetary+and+financial+statistics/securities+statistics>.

there is no publicly disclosed detailed data on these flows, the average duration can be estimated at around three months. This means the money will need to be reinvested in lira-denominated instruments. This fact is the Turkish economy’s new weak point. No net inflows for equities, real estate, and direct investments have been observed in the past year.

## The Necessary Path to Boost International Investment

This episode clearly showed the Turkish economy’s vulnerability as a result of its hard currency needs and the Erdoğan government’s weak credibility on economic policy. While most people may not understand economic theory, they did realize that the damage done by years of pursuing the wrong policies was quite substantial. They also realized



that the reforms introduced to bring about a quick and lasting improvement in the economy were far from guaranteed and might well be rolled back in the future. Experts already knew this, but the public reaction confirmed it. While the headline figures for the CBRT's reserves and total FX-protected deposit stock look satisfying, the sensitivity to portfolio outflows is much higher.

The economic administration knows that record-high external debt with less than one year of maturity cannot be financed by the unusual methods used in previous years. The current account deficit — basically the result of higher imports of goods and services than exports — also makes foreign investment needs more urgent and difficult. Previous methods to address this, such as swap agreements linked to political ties with foreign governments and the sale of public assets to foreign investors, cannot offset the \$232.1 billion in short-term external debt<sup>10</sup> and the additional current account deficit of nearly \$24 billion-34 billion.<sup>11</sup> No International Monetary Fund (IMF) agreement is in the works, nor are political relations with the US good enough to bring one about. The US wields veto power in the IMF with its 16.5% voting share,<sup>12</sup> as a comprehensive stand-by agreement requires 85% of the total vote. Moreover, Erdoğan's stance against pursuing any IMF agreement remains unchanged. World Bank loans will be doubled to \$35 billion under a recent decision;<sup>13</sup> however, they are always linked to projects and thus are not suitable to ensure macroeconomic stability. The Islamic Development Bank will also increase its project financing to Turkey to a

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10. "Short Term External Debt Statistics," TCMB (Central Bank of the Republic of Türkiye), <https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/Statistics/Balance+of+Payments+and+Related+Statistics/Short+Term+External+Debt+Statistics/>.

11. "Survey of Market Participants," TCMB (Central Bank of the Republic of Türkiye), <https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/Statistics/Tendency+Surveys/Survey+of+Market+Participants/>.

12. "IMF Members' Quotas and Voting Power, and IMF Board of Governors," International Monetary Fund, last modified June 26, 2024, <https://www.imf.org/en/About/executive-board/members-quotas>.

13. "World Bank to increase exposure to Turkey to \$35 bln within three years – Anadolu," *Reuters*, September 7, 2023, <https://www.reuters.com/world/middle-east/world-bank-increase-exposure-turkey-35-bln-within-three-years-anadolu-2023-09-07/>.

record-high balance, \$6.3 billion,<sup>14</sup> but this has the same limitation as the World Bank funds. A \$50.7 billion investment deal with the United Arab Emirates has not yet begun.<sup>15</sup> Even the parts of the deal related to export loans and the recovery of the region hit by the February 2023 earthquake, totaling \$11.5 billion, have not been confirmed. At present, there are no rumors about any other major Gulf investments either.

The size of the problem and the need for new solutions suggest that Turkey will try to regain the interest of international investors. This has been the underlying reason for its pursuit of policy normalization since the general elections in May 2023.

## A New Phase for the Second Year of Mr. Şimşek's Term?

With Mr. Şimşek having started his second one-year term on June 3, 2024, the problems inherited from the previous administration, suspicions about policy continuity due to the local elections, and lagging outcomes of the market normalization process are no longer excuses for the new economic team. The CBRT has already done its best to raise rates, although some of the hikes came quite late. President Erdoğan is on the same page as Mr. Şimşek about not raising the minimum wage mid-year or making any one-off payments to pensioners. He has defended Mr. Şimşek's economic program and not caused any misunderstandings. The missing element now is fiscal discipline — or what is known more notoriously as austerity. Mr. Şimşek has promised to keep the budget deficit high but controllable.

The ultra-high budget deficit target in the government's mid-term program of 2.7 trillion lira (or roughly \$80-90 billion) was not realized because of recovery costs following the destructive February 2023 earthquake. Higher interest rate expenses, rising social security payments, the cost of FX-protected

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14. Gokhan Ergocun, "Islamic Development Bank to provide Türkiye \$6.3B worth of financing," *Anadolu Agency*, April 29, 2024, <https://www.aa.com.tr/en/economy/islamic-development-bank-to-provide-turkiye-63b-worth-of-financing/3205482>.

15. Rachna Uppal and Yousef Saba, "Turkey's Erdogan signs \$50 billion in deals during UAE visit," *Reuters*, July 19, 2023, <https://www.reuters.com/world/middle-east/turkeys-erdogan-ends-gulf-tour-with-abu-dhabi-visit-2023-07-19/>.

deposits, and ongoing FX-guaranteed mega-project allowances contributed as well. In addition, populist moves in the run-up to the 2023 general elections also pushed up budget deficits. Generous government spending in the form of social transfers has always been common before elections in Turkey. All of these caused higher deficits and boosted aggregate demand, leading to a wider foreign trade deficit and greater inflationary pressure. The introduction of new taxes and raising of rates on existing ones have been announced in a step-by-step fashion. Additional moves are expected going forward as boosting revenue by levying new taxes is easier than cutting state expenditure; as of yet no significant fiscal measures have been introduced to control extravagant government spending and mega-project investments.

Everything is now in place to generate positive results from the economic program above and beyond financial stability and market normalization. With the 2024 local elections out of the way, there is no scheduled vote anytime soon and a referendum on a potential constitutional amendment is not a must for the government. Erdoğan's administration seems to be normalizing its foreign relations as well, with the exception of Israel, as a result of the Gaza war. Erdoğan has even started to soften the tone of his domestic rhetoric and visited the leader of the opposition Republican People's Party (CHP), Özgür Özel, at the CHP headquarters on June 11 for the first time in 18 years.<sup>16</sup> All of these developments were publicized across the media, meaning that everyone is aware of the policy shift, even if most people are suspicious of its extent and duration.

## But Worrying Side Effects May End the Policy Shift

Although current conditions mostly favor the new economic program, there are significant obstacles as well. Most leading central banks around the world are still continuing high interest rate policies as inflationary pressures have not been extinguished sufficiently. This has weakened the expected push of global liquidity to emerging markets in search of higher returns — a trend that should benefit Turkey as one of the best-known (if highly volatile) emerging markets. On the foreign

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16. "President Erdoğan visits CHP headquarters after 18 years," *Duvar English*, June 11, 2024, <https://www.duvarenglish.com/president-erdogan-visits-chp-headquarters-after-18-years-gallery-64487?p=2>.

policy front, changes are unlikely to be achieved very rapidly. A White House visit by Erdoğan has been repeatedly delayed despite Turkey's approval of Sweden's NATO membership.<sup>17</sup> Turkey's presence in Northern Syria and its procurement of the Russian S-400 missile defense system are also difficult issues that will need to be resolved too. Domestic political polarization is still very high and Erdoğan's room for maneuver may not be as wide as expected due to the hawkish stance of his partner, Nationalist Action Party (MHP) leader Devlet Bahçeli. Moreover, New Welfare Party (YRP) leader Fatih Erbakan was successful in undermining the AKP in the recent local elections by criticizing Turkey's ongoing trade with Israel, forcing the government to subsequently cut off trade ties, damaging Erdoğan's attempt to improve relations with the West.<sup>18</sup> Due to unpublished debt to Russian state-owned gas firm Gazprom, a détente with the West could be more limited than commonly anticipated.

High interest rates and a decreasing budget deficit may lead to a hard landing for the Turkish economy. People are already worried about the loss of purchasing power so far and strict policies may affect their political choices. Erdoğan and the AKP's defeat in the recent local elections was in no small part driven by declining household purchasing power. Contractionary fiscal and monetary policies could also result in higher bad loans and unemployment rates. The government now has three years before it faces the ballot box again, and this may give it enough time to implement policies to address these issues, unless there is social unrest. Some sectors will be more negatively affected than others in the coming years. Mr. Şimşek's disinflationary program should keep the depreciation of the lira below the inflation rate, thus making domestically produced goods and services more expensive over time. Exports and tourism, in turn, may not contribute enough to offset the trade deficit. The lobbying power of these sectors on Erdoğan's government should be taken into account as well.

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17. Steve Holland and Jonathan Spicer, "Turkey's Erdogan postpones tentative White House visit, sources say," *Reuters*, April 26, 2024, <https://www.reuters.com/world/middle-east/turkeys-erdogan-postpones-tentative-white-house-visit-sources-say-2024-04-26/>.

18. Gulsin Harman, Aaron Boxerman, Ben Hubbard, and Thomas Fuller, "As Turkey Cuts Trade Ties, Israel's Isolation Grows," *The New York Times*, May 3, 2024, <https://www.nytimes.com/2024/05/03/world/middleeast/turkey-israel-gaza-cease-fire.html>.



Photo above: A view of the exterior of the Central Bank of the Republic of Turkey in Ankara on April 16, 2021. Photo by Ali Balıkcı/Anadolu Agency via Getty Images.

## Erdoğan's Priority Is Always Elections

Under these conditions, new economic programs can work and provide financial stability. For example, the sharp deterioration in the CBRT's foreign exchange position before the local elections was swiftly reversed. Skyrocketing house prices are normalizing in dollar terms.<sup>19</sup> Lira-denominated government bonds, especially short-term ones, can be attractive for global investors. Credit default swaps, a well-known indicator of dollar-denominated Eurobond risk premiums, are at their

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19. "Residential Property Price Index," TCMB (Central Bank of the Republic of Türkiye), April 2024, <https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/Statistics/Real+Sector+Statistics/Residential+Property+Price+Index/>.

lowest level since the pandemic.<sup>20</sup> A one- or two-notch credit rating upgrade would not be surprising and would go a long way toward encouraging more international investment in Turkey. The stock market index has already broken its record high in lira terms, but significant foreign capital inflows will be needed for it to do the same in dollar terms as well.<sup>21</sup>

However, economic momentum will likely be slower moving forward, and reduced social transfers may also increase income disparities. The next election cycle will probably start in 2027 and continue until the local elections in 2029. This means

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20. "Türkiye CDS 5 Yıllık USD (TRGV5YUSAC=R)," Investing.com, <https://tr.investing.com/rates-bonds/turkey-cds-5-year-usd>.

21. Gokhan Ergocun, "Türkiye's BIST 100 index hits record level, topping 10,000 points for 1st time," *Anadolu Agency*, April 29, 2024, <https://www.aa.com.tr/en/economy/turkiyes-bist-100-index-hits-record-level-topping-10-000-points-for-1st-time/3205576>.



Photo above: Turkish lira banknotes on display on December 3, 2021, after a currency crisis the previous month caused the Turkish lira to hit then record lows against the dollar. Photo by OZAN KOSE/AFP via Getty Images.

that maintaining financial stability and controlling the cost of living may not be enough to achieve Erdoğan's political goals. The promised improvements must give him the economic tools needed to use in the next election cycle. Otherwise, he may end the new policies or even call for snap elections.

The presidential system in Turkey and Erdoğan's strict control of his party make his preferences the single most important factor when considering the outlook. The content and scope of the potential constitutional amendments under consideration are also unknown, adding greater uncertainty over the next few years. All economic actors will remain suspicious of the political motives behind his economic moves, reducing the effectiveness of the policies. Therefore, instead of expecting the long-term success of these economic policies, short-term achievements should be considered while investing in Turkey. Similarly, expectations on the political

front should also be viewed in the same way, with a focus on the near term. Put briefly, it would be wise to appreciate policies when they are carried out, but remain cautious of promises until they are implemented.

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