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Two severe economic crises with the collapse of the banking system in 2001, led to an economic and political transformation in Turkey. Thanks to single party rule, EU-bound reform agendas, strong partnership with the IMF, and independent local agencies like the Central Bank Turkey successfully tamed inflation from 60% to single digits and public debt from 95 percent of GDP to 35 percent of GDP levels while tripling GDP. This success released billions of dollars spent on interest, which the government used. Generous healthcare reforms, social policies that funneled lots of money to low income households, high growth infrastructure projects and flexible land development led to procurement policies that generated high growth, new jobs and a successful economic outcome. Even the global financial crisis was weathered successfully thanks to the sound fiscal and monetary policy management and strong banking system. New infrastructure generates a strong Anatolian middle class and powerhouses all around the country.

However, nowadays after becoming an upper middle-income country reaching up to 11 thousand dollars per capital income levels with more than 20 powerhouse cities in Anatolia, Turkey is facing a middle-income trap. Structural reforms are essential in specifically tax code; institutional structure and the judicial system. Most of the local investments are devoted to real estate and construction, which can generate problems over the long term. A more export and innovation driven economy must be encouraged.

The Turkish economy needs around 55 billion dollars in annual international funds to close its current account deficit. Government debt (35% of GDP) is quite low so there is not that much of a problem there, however the private sector debt is worrisome. Turkish corporate debt is, around 60 percent of total assets, one of the highest among emerging economies. That's why companies and contractors responsible for major infrastructure projects are facing financing issues. In order to solve the problems of the government friendly contractors, even more preferential treatments such as government guarantees, tax amnesty are awarded to those friendly businesses. In a potential mismanagement, the government guarantees all of the losses, which can generate big burdens on the budget in the future.

Preferential and biased approach to business community is limiting new investments in the country. Institutional and transparent structures are undermined while personal treatment and leadership connectedness have become widespread to work with the government. Public tenders and land development requires the Prime Minister's (PM) direct approval. At the expense of meritocracy, clientalism and crony, capitalism is on the rise. The PM micromanages to such extent that he often personally decides who is going to build what and where.

The Federal Reserve is coming to an end in its quantitative easing and expansionary policies. Turkey like other emerging economies is affected from this trend. Recent exchange rate depreciation and the interest rate hike decision of the Central Bank in January 2014 eased the immediate effects. However, some of the ruling party officials' interventionist attitude may hamper the independence of the Central Bank having a detrimental effect on the economy in the long run. It is good to see that the economy management team generally understands the concerns.

Turkey's growth model is heavily dependent on the international capital flows and foreign energy resources. Policy makers need to put the current account deficit back on track to a downward trend, which already started after significant depreciation in the Turkish Lira, and control inflation as well as credit growth. Energy policies will have to focus on more renewable resources and alternative sources like Azeri and Iraqi gas and more transparent licensing system to encourage more investment. Regional crises in Iraq and Syria presents big trade challenges for the Turkish economy.

Another worry of investors is the problems with rule of law and erosion of economic and political checks and balances. Emboldened by 58 percent vote in 2010 referendum for constitutional amendments and 49 percent general elections victory in 2011, PM Erdoğan opted for the monopolization of power instead of continuing with the EU-bound reform agendas. Having tamed the military and crushed political opposition, he consolidated his power by suppressing media and dissent. His authoritarian tendencies were first evident with the disproportional use of force and harsh rhetoric against Gezi Park protesters in June 2013, which sparked an outcry inside Turkey and abroad. Mr. Erdoğan has presented Gezi events as an international conspiracy to undermine his government and portrayed dissenters as traitors.

A similar pattern was observed during the corruption scandal of last December which implicated sons of three Turkish cabinet ministers, high level bureaucrats and government friendly businessmen. Among the suspects are Reza Sarraf, a 29 year old Iranian businessmen dealing with Gold trade and Yasin Al Qadi, a businessman who used to be on the UN terror list for ten years due to his connections with Al Qaeda affiliates.

Instead of complying with prosecutors, Mr. Erdoğan presented the investigations as a political conspiracy led by domestic and international actors such as U.S. ambassador Francis Ricciardone, influential preacher Fethullah Gülen, *Wall Street Journal*, BBC and the "interest lobby." In a clear attempt to obstruct justice, thousands of police officers and hundreds of prosecutors were purged. Subsequently, Turkish parliament dominated by the ruling AKP, passed legislations which seriously threaten the independence of the judiciary. Since the AKP has tight control of both the executive and legislative branches, it is highly unlikely that members of the cabinet and parliament implicated by the corruption scandal will be impeached. This would be a huge setback for rule of law and government accountability in Turkey.

Due to government pressure and intimidation of the independent media, the Turkish nation was kept considerably in the dark about some of the crucial details of the corruption scandal. In order to hide the inconvenient truth from the people, YouTube and Twitter were banned until overruled by the Constitutional Court. It takes real courage for media organizations to run stories on corruption scandals or question government actions on any other topic. The Prime minister personally chastises media bosses and intervenes in on the editorial process. Those who do not comply are subjected to smear campaigns by government and pro-government media. Media owners either have to fire journalists or face the consequences like Akin Ipek, the owner of Bugün newspaper and Kanaltürk television. As an apparent retaliation to the coverage of the corruption scandal by his media, the government revoked three mine licenses of Mr. Ipek. The chairman of TUSIAD, one of the largest business associations in Turkey, was declared a 'traitor' after he said a country cannot draw foreign investment when there is no respect for the rule of law. He faced pressures to keep quiet and finally had to quit from his job citing his business problems. Ambassador James Holmes, CEO and President of the American Turkish Council, a prominent DC based non-profit business organization had to offer his resignation due to pressure from the Erdoğan government and government friendly businessmen.

Lately, at the epicenter of Prime Minister Erdoğan's conspiracy theories, smears and discriminatory practices is Hizmet (a.k.a Gülen movement). The Gülen Movement is a transnational faith-inspired civic movement arising in Turkey during the late 1960s. Inspired by prominent religious scholar Fethullah Gülen's peaceful ideas and dedicated to the traditional Turkish Sufi tenets of modesty, mutual understanding, respect, spirituality, and intellectual enlightenment, Hizmet (means 'The Service' in English) appeals to people from diverse backgrounds. Participants of the movement have been active in all walks of life including education, business, media and relief. They run successful private schools in Turkey and more than 150 countries focusing on science and foreign languages. With its anti-violent, globalization friendly, pro-EU-accession, pro-democracy and non-

confrontational outlook, The Gülen movement offers an antidote to political and radical interpretations of Islam.

Although until recently many sympathizers of the movement have voted for the AK Party due to a lack of credible alternatives, there has always been underlying differences between the two groups. Prime Minister Erdoğan's ambition to design and subordinate civil society has exacerbated tension between the government and independent groups such as the Gülen movement. Mr. Erdoğan has started to question the loyalty of Gülen movement sympathizers to him and his party in bureaucracy as well. With those prejudices in mind, he was quick in blaming Mr. Gülen and his movement for staging a 'coup' plots against the Erdoğan government with corruption investigations. PM Erdoğan was not shy of publicly admitting his antidemocratic actions against the Gülen movement tantamount to a "witch hunt". Thousands of bureaucrats from various government offices were discredited, demoted or reassigned due to perceived ties or sympathies with the Gülen movement. Guilt by association has become the norm, however no single wrongdoing has been legally proven so far. Mr. Erdoğan also presses the US government to extradite Mr. Gülen who lives in Pennsylvania as a legal resident without any indictment, court case or charge. The White House had to issue a rare correction after he suggested that Mr. Obama agreed to comply with his unlawful requests. Mr. Erdoğan's inflammatory rhetoric includes calling Gülen movement sympathizers viruses, assassins, leeches, traitors, spies, and vampires. Media affiliated with the Hizmet movement that maintains its independence has also been a constant target.

Witch-hunt has taken a toll not only in bureaucracy but also in civil society, business community, and media. Canceling public tenders, rezoning existing structures, revoking business permits, deploying tax inspectors are among the common practices. Members of TUSKON, a leading business NGO, face government retribution if they don't resign from membership. Bank Asya was nearly bankrupt due to orchestrated defunding efforts by the government. Private tutoring centers for the national student placement exams will be closed starting June 2015 because of the 25 percent stake of the Gülen movement in the sector. The Erdoğan government heavily lobbies against the movement's educational institutions abroad. Several countries had to comply not to lose their investments in Turkey. Despite court orders, pro-government news outlets continue running fabricated stories about the Gülen movement on a daily basis.

The Erdoğan government's controversial tactics are not limited to Gülen circles. Businessmen, associations and media who come from different ideological backgrounds are under intense pressure to either comply or face consequences. According to press reports, one hundred thousand small and mid-size businesses were profiled based on their donations, flight arrangements and other private data.

AKP leadership tries to justify recent anti-democratic practices pointing out to their electoral victories. However NDU Professor and Brookings scholar Dr. Ömer Taşpınar describes this overturn as transformation from the tyranny of Kemalist minority to 'tyranny of majority'. PM Erdoğan thinks his election victory with 43% percent during the March 30 municipal elections in the immediate aftermath of the corruption scandal, has cleared him and his party associates of corruption allegations as well. He now runs for presidency and does not hide his ambitions to use his constitutional powers in a way that will make executive and legislative branches, if not judiciary, subservient to him if he wins. Both opposition candidates, Prof. Ekmeleddin İhsanoğlu and Mr. Selahattin Demirtaş, reject the notion that Turkey would be better off with a de-facto presidential system without necessary checks and balances as Mr. Erdoğan suggests. Many observers think establishing a one man rule and a party state in Turkey would compound political and societal tensions leading to instability.

Despite generally negative trends in freedoms and democracy in the last few years, Turkish government deserves credit for its continued commitment to the resolution of Kurdish question. Prime Minister Erdoğan has spent a considerable amount of his political capital on negotiations with leadership of the PKK, a terrorist organization, including Abdullah Öcalan who is serving a life sentence in a Turkish prison. Whether or not both sides will eventually make serious concessions on political and security grounds remains to be seen. Critics claim Erdoğan might abandon nationalist Kurds after he garners their votes in the presidential elections. In that case, a return to armed conflict which cost Turkey more than 30,000 lives over three decades might be inevitable.

Despite improvements, reports by international and domestic human rights groups still point out to continued problems for Turkey's religious and ethnic minorities, women, media and others. Alevis, Kurds, Christians seek more rights. The mother of many lingering rights issues is the 1982 Turkish Constitution enacted at a post-military-coup period. There is a consensus on changing the Constitution but not an agreement on how to do it. Polarization in politics and society also doesn't help.

All that said, one must not lose hope or optimism with the future of Turkish democracy. Despite occasional downturns, Turkey has historically found ways to recover and improve. Turkey is a relatively successful democratic and free market experiment in a volatile but strategically important region. Turkish Sufi interpretations of Islam represent a powerful alternative to violent extremism. Hence it's imperative for friends and allies of Turkey in the West to support and engage with Turkey on its democratic and economic journey. As one of the major intellectual forums in Turkey, Abant Platform has recently declared, Turkey's continued EU accession path as essential for reforms. On the economic front, making Turkey part of the Transatlantic Trade and Investment Partnership (TTIP) process might open a new and an important gateway for anchoring

Turkey to the West. Turkey's value as a security partner in NATO can only be reinforced by further economic integration with EU and US.

In his latest book 'Why Nations Fail?' MIT Professor Daron Acemoğlu emphasizes the importance of the institutions, rule of law, freedoms and their effect on the sustainable development of the nations. Enhanced democracy with free press, flourishing civil society and independent courts also ensure a powerful economy. Therefore, Turkey's leaders and international friends should never waver on supporting and investing on Turkey's democratic and economic success, which goes hand in hand.