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THE ECONOMIC POLICY OF TURKEY'S JUSTICE & DEVELOPMENT PARTY – QUITE 'UN-ISLAMIC' IN SOME ASPECTS

Abstract

This article reviews the economic policy of Turkey's ruling Justice & Development Party. We'll see, that, contrary to the Islamic tenets, which it is bound to espouse, the Party has been making the country ever more dependent on the external sources of finance. On the one hand, the inflow of the foreign capital has fostered the rapid economic growth. But on the other hand, Turkey already is and obviously, will continue to be hostage to increased dependence on the inflow/outflow of funds from the outside.

Keywords: Turkey, Justice & Development Party (AKP), economic policy, Islamic economy, foreign sources of economic growth

The economic policy of Turkey's Justice & Development Party (AKP), that rules the land since 2002, displays a number of peculiarities, arising from its pro-Islamic political identity². Its power base belongs in townships. The Party lavishes every care on the owners of small and medium enterprises, which teem in Anatolia's interior. The vast majority of this entrepreneurial community adhere to the Islamic values and social conservatism. They, therefore, vote for AKP, and keep it hitherto in power. The Party, in return, provides them with all kinds of benefits, creates for them a favorable climate. This has to be expected from a party of such cast.

But it should be noted that in addition to the principles of economic policy, largely consistent with the political identity of the AKP, it is now possible to identify some of its important directions, which, rather, refute the classical doctrine of Pro-Islamic party and may be considered the paradoxical ones.

This way during AKP dominance the country has undergone a deep globalization, at least in terms of her involvement into the international finance.

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2 Justice and Development Party is a moderate Islam party created in 2001 by so-called Renovationists. Previously they have been members of Pro-Islamic predecessor parties with a more rigid system of religious views. Sharing the system of Islamic values, Justice and Development Party is rather far from radicalism and claims to be a political force of the center-right conservative wing.

The aim of the article is to analyse such an important direction of the AKP's economic policy as the active usage of the external sources of financing, firstly, from the point of view of its compliance with the concept of the Islamic economy, and, therefore, to emphasize the ratio of elements of theory and practical flexibility in the activities of the new Turkish elite. At the same time the extent of foreign sources inflow and positive effects and real and potential risks dealt with will be assessed.

'Third Way' - where does it really lead?

Undoubtedly, the borrowing from foreigners is incompatible with the Islamic economy doctrine, for example with the national economy model as one of its varieties. One of the main proponents of the latter, (H.Bash) writes: "Neither capitalism, nor socialism can bring unto us real happiness. But our, national economy, ("Third Way" – N.U.) for sure can. It can and will provide with welfare not only our own people, but the entire Human Race"³. Replying to the question of admissibility of foreign borrowing, he says: "Of course, just any country, wishing to develop, needs capital. But, even now, so many countries still acquire the needed capital not through the emission of the national currency, on which accrues no interest against them, but through the borrowing in the usurious foreign one. The international loan-mongers keep telling us that any economical activity, financed with our own currency, only feeds inflation, whereas the same activity, financed with their precious credits, results in economic growth. It is a pity that this rank nonsense still goes round. In our economic model we place reliance upon the interest-free domestic currency, and gain the fullest independence from the external economic forces, which we cannot and never will control"⁴. To stimulate industrial production, he would "emit domestic currency, conscript the laying idle labor"⁵. As for inflation, that this would surely arouse, it should, in his opinion, be diminished, in the short term, by the much fuller utilization of the available industrial capacity, and, in the medium, by the constant re-investment into the national economy, which growth would thence be driven by supply. This is, in essence, the same old fallacy, which Turkish elite was so fond of throughout the preceding years: that of an infinite and serendipitous expansion under the fiscal stimulation. That it, alas, is unattainable, should have been driven home to them repeatedly by the succession of the financial and economic crises, which kept on visiting their land.

In view of this, it's no surprise that the economic program of the pro-Islamic

3 Баш Х., *Модель национальной экономики. Новая экономическая система*. Казань, 2011. (Bas H. *The national economic model. The new economic system*. Kazan), p. 30.

4 Ibidem, p. 55.

5 Ibidem, p. 90.

Welfare Party⁶, which won the parliamentary elections in 1995 and was the first to come to power in Turkey overtly cleaving to Islam, envisaged the reliance upon 'new sources of finance'. These sources were to be discovered among 'the people, natural resources and the state-owned assets'. The nation-wide inventory of all these assets would be followed by their massive sale: lands, hotels, factories, utilities and so on would be transferred into the private ownership, which always manages them far better. A large new income was expected from the privatization of the forestry - in forests Turkey still abounds⁷.

N. Erbakan, the leader of the Welfare Party, and his closest colleagues, attributed their Motherland' indebtedness to the political corruption. A. Shener, the Party's finance minister, spoke: "The foreign loans have been foisted upon our country by a certain lobby. As a result, she all is now buried under an avalanche of debt. We aren't conniving with that lobby, and won't remain for long debt-ridden. We shall dispose of debts with ease"⁸. A Gul, vice-Premier of the coalition government, extolled the economic self-reliance. In an interview to the Turkish *Ekonomist* magazine he said the following: "Just every country on the planet is now in pawn to money-lenders, and must keep borrowing at usury, the new loans covering the old. But we believe that we can break this vicious circle, if we, along with other fellow nations, give priority to the development of our own domestic markets"⁹.

However, the Welfare Party's coalition partners - the True Path Party - were staying skeptical about such an autarky - it seemed to them downright utopian. Instead, they urged privatization, and would admit the foreign capital as an inevitable evil. A. Yilmaz, their State minister, was realistic. She insisted: "It is impossible for our economy to grow without foreign capital. No capital - no growth, full stop. And grow we must! Given the rapid increase in our population, we have to grow at least by 4,5% a year. The foreign loans are, therefore, absolutely indispensable"¹⁰.

Such views and arguments, however, did not exert much influence upon the coalition government¹¹. Their program put an emphasis on the efficient use of the available resources. Together with the streamlining of the state bureaucracy, elimination of red tape, removal just of any obstacle to economical development, this should, as they believed, suffice. The program aimed at rapid growth in GDP, commensurate replenishment of budget, and fall in borrowing - eventually down to zero. From all of this, however, followed, that the neces-

6 With certain reservations, the Turkish Welfare Party can be regarded as a predecessor of now ruling AKP.

7 *Ekonomist*, 7.7. 1996, p. 17.

8 *Ibidem*.

9 *Ibidem*, p.18.

10 *Ibidem*, p.19.

11 For more details about the program of the coalition government refer to: Ульченко Н. Ю., Мамедова Н. М., *Особенности экономического развития современных мусульманских государств*. М., Городец, 2006. (Ulchenko N.Yu., Mamedova N.M. *Idiosyncrasies of the economic development of the contemporary Muslim countries*. М., Gorodets, 2006), pp. 53-56.

sity of borrowing was only the result of gross mismanagement by those, who governed Turkey previously, whereas the country's own potential they all did underestimate.

The task of balancing the 1997 budget was now at hand. The government projected an increase in income by 140%, while in expenditure by only 61% (in current prices). Moreover, the government, as it behooves the Islamists, was also loath of taxation, pious fiscally, and no more taxes would impose. The badly needed money had to come in from the privatization. The government with confidence expected a tremendous growth in taxes-unrelated income - by 765%, no less!¹² But it fell short of expectations. In the first half of 1997 the budget deficit ballooned enormously to 700 trillion Liras¹³. This was for them a total failure. The causes thereof were several: First, they could not reign in expenditure - it grew much faster than they wanted. Second, and the most important - their income only doubled, the sale of the state assets fetched them far less than they expected, while the budget had still to be replenished from taxation, as before¹⁴. The central point of their program - that of the economical development under the extra-fiscal stimuli, accompanied by a decrease in governmental borrowing - had, therefore, proved unrealistic, though its proponents blamed misfortune.

The AKP had learned from others' errors. The odium of borrowing from foreigners still would have them recoil instinctively, yet they acknowledged, that all the searches for an alternative, attempted by their predecessors, were in vain. The Party, therefore, turned pragmatic, tacitly dismissing the failed autarkic paradigm. Moreover, and even paradoxically, once AKP attained to power, it opened up the whole country to the international finance. This showed that the Party had matured, and realized that the religious dogmas must sometimes yield to economical imperatives. Of course, it puts some aspects of theology in doubt, but brings about good results. Let's now take a look at Turkey's economical development under the rule of AKP. We shall find out what role in it was played by the international finance.

Escaping from the utopian captivity

The 2001 financial crisis hit Turkey hard and showed a need for change. In 2002, when AKP first came to power, the economic outlook was dire: the annual inflation reached 45%, the budget deficit exceeded 11% of GDP, (Ref. to Table 1) whereas the national debt was creeping up to 70%¹⁵.

12 The Turkish Economy 1997, İstanbul, MÜSİAD, 1997, pp. 22-23.

13 Ibidem, p. 62.

14 Ibidem, S.67.

15 Calculated in accordance with: Ekonomik Rapor 2008. Ankara, TOBB, 2009, p. 170.

Table 1. Key indicators of Turkey's Macroeconomic Development (2001 – 2018)

	2001	2002	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Growth rate of GDP (in basic prices 1998*)	-5,7	6,1	4,7	0,7	-4,7	9,2	8,8	2,1	4,2	2,9	6,1	3,2	7,4	2,6
Budget deficit/GDP (%)	12,0	11,2	1,6	1,8	4,8	3,6	1,4	2,1	1,2	1,3	1,0	1,1	1,5	2,0
Surplus in the primary budget**	6,8	4,3	4,2	3,5	0,1	0,7	1,9	1,4	2,0	1,6	1,3	0,8	0,3	0,0
Average annual level of consumer price inflation (%)	54,4	45,0	8,8	10,4	6,3	8,6	6,5	8,9	7,5	8,9	7,7	7,8	11,1	16,3

*For 2015 and 2016, the assessment is based on 2009.

** The ratio of budget revenues and expenditures excluding public debt service payments. Thus, the surplus forms a real, that is, not associated with new loans, a source of public debt service.

Compiled and calculated by: İstatistik göstergeler 1923-2008. Ankara: TÜİK, 2009. S. 599, 644, 646, 693, 753, Economic Report 2005. Ankara: TOB. 2006. S. 79; Economic Report 2006. Ankara: TB, 2007. S. 78; Economic Report 2009. Ankara: TOB, 2010. S. 78, 135; Economic Report 2010. Ankara: TB, 2011. S. 89, 144; Economic Report 2012. Ankara: TOB, 2013. S. 131, 206; Economic Report 2014. Ankara: TOB, 2015. S. 109, 185; Economic Report 2016. Ankara: TOB, 2017. S. 34, 113, 199; Economic Report 2018. Ankara: DOB, 2019. S. 131, 219.

The Party had adopted a bold stabilization program, and soon the economic growth returned. In the run-up to the parliamentary elections due in the summer 2007 the Party boasted an impressive economic record. The budget deficit contracted wondrously - to mere 1,6%. (Ref. to Table 1) The rate of governmental debt to gross national product had fallen from 70% to 40%¹⁶. For the first time in over three decades inflation was down into the single digits: under 9% in 2007. The macro-economical stabilization induced a steady, rapid growth: over 2003-06 it averaged 7,3%¹⁷. The Turkish GDP increased 2,2-fold - from \$181 billion to \$400 billion¹⁸.

But then the global crisis struck. The economic outlook had worsened. In

16 Ekonomik Rapor 2009, Ankara, TOBB, 2010 p. 87.

17 Calculated using data from Table 1.

18 Güven ve İstikrar içinde durmak yok yola devam. 2007 Genel Seçimleri Seçim Beyannamesi. Ankara: Adalet ve Kalkınma Partisi, Haziran 2007. 251 s. URL: <http://www.akparti.org.tr/site/dosyalar#!5.-olagan-buyuk-kongre-gundemi>, p. 31.

2009 the growth was negative, albeit not as badly as elsewhere: about -5%. (Ref. to Table 1) Turkey had weathered this crisis rather easily. In 2010-11 the Turkish economy staged a recovery, achieving up to 9% growth (Ref. to Table 1). In 2012, however, it once again slowed down - the growth rate fell, though staying positive. In 2010-18 Turkey was able to keep under control the budget deficit and tame inflation. The economy kept working steadily.

How did the Party manage to achieve such fairly glowing successes? First, they desisted from investing. Reason told them that this one business was not theirs. From 2005 to 2016 investments seldom rose above 10% of total budgetary spending, (Ref. to Table 1) whilst in the late 1990s they gobbled up no less than 15-20%. (Ref. to Table 2).

Table 2. Share of Individual items in Government Expenditure *

Years	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Investment expenditure	11,2	12,0	13,0	8,8	9,6	9,5	9,8	8,3	8,9	9,1	9,1	10,3	9,5	10,1	9,4
Current expenses, including personal (salary expenses of civil servants**)	26,4	30,8	32,5	40,1	42,8	44,4	45,4	44,2	44,1	45,3	45,0	44,2	44,8	44,6	45,6
	18,9	21,6	23,5	23,5	21,2	21,4	21,5	20,9	21,2	23,9	23,9	23,6	24,6	24,7	25,5
Interest payments on the national debt	46,8	40,8	36,2	21,5	18,0	17,0	15,4	13,9	11,2	9,1	9,1	8,1	7,4	6,9	5,7
Other	15,6	16,4	18,3	29,6	29,1	29,1	29,4	33,6	35,8	36,5	36,8	37,4	38,3	38,6	39,3
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

*Total government expenditures include, in addition to the budget, the revenues and expenditures of some other parts of the state Finance system

** Calculated share of expenses of the budget

Compiled and calculated according to: Economic Report 1997. Ankara, UCCET, 1998. P. 68, 74; Economic Report 2003. Ankara, TB, 2004. S. 78, 86; Economic Report 2004, Ankara, UCCET. 2005. P. 79, 85; Ekonomik Rapor 2005. Ankara, TB, 2006. S. 78, 84; Economic Report 2007. Ankara, TOB, 2008. S. 83, 88; Economic Report 2009. Ankara, TOB, 2010. S. 77, 82; Economic Report 2010. Ankara, TB, 2011. S. 88, 92. Economic Report 2014. Ankara, TOB, 2015. S. 108, 113; Economic Report 2015. Ankara, TOB, 2016. S. 111, 117; Economic Report 2016. Ankara, TOB, 2017. S. 112, 119.

This enabled them to balance budget, heavily encumbered with interest payments on the debt. When this encumbrance largely vanished, they could

again begin investing. Since nothing of the sort did happen, we can conclude that they chose not. Second, they had been totally committed to paying off the national debt. Under their governance, the interest payments on it fell from 41% in 2003 to just 5,7% in 2016. (Ref to Table 2) This was achieved through gradual, but persevering stabilization of the state finances. Third, the government was able to contain the wage increases, refraining from the populist profligacy, which blighted much of 1990s: this item of expenditure kept hovering just above 20% of the total. (Ref. to Table 2) However, this was to some extent offset by an expansion of social payments. As for investments into industry, these thence were made in Turkey privately, with money flowing from abroad. The rate of investments rose from 20% in 2002 to almost 30% later on¹⁹. So, while the Turkish government was extricating itself from foreign debts, the Turkish companies were piling such debts up.

Ever since the turn of the century Turkey has been running up the current account deficit. If back in 2002 it stood quite low at about \$600 million, then by 2008 it reached \$42 billion. In 2011 it set its own historic record, surpassing \$75 billion, or more than 10% of Turkey's GDP²⁰. Next year it fell to \$49 billion²¹, but dragged along the growth rate, which also fell to 2,1% (Ref. to Table 1). In 2013 the growth picked up, but so did, too, the deficit, reaching \$64 billion²². Since 2014 it keeps on falling - from \$44 billion over that year to \$32 billion in 2015-16, to take away (21) and further down to \$28 billion in 2018 - and all along depressing the growth rates, except for 2015. (Ref. to Table 1)

So, we can draw two important conclusions: First, most of the Turkish private enterprise is now financed with foreign loans. Second, due to her ever-growing reliance on the external sources of finance, the country now exhibits the strongest correlation between the influx of the foreign capital and the domestic growth: the former dries - the latter falls.

In recent years Turkey has managed to attract a lot of direct foreign investments. For example, in 2014-2016 she has been drawing in from \$12 to \$17 billion annually²³. The bulk of them consisted, though, of portfolio investments, in which, after the 2009 financial crisis, predominated various bonds. Turkey's private sector has borrowed large amounts, and now owes about 70% of total foreign debt. The Turkish companies have grown heavily indebted, become exposed to fluctuations of the international financial climate. Many had fallen into a debt-trap, not least because of borrowing short-term. Since the beginning of the century Turkey's private foreign debt has more than tripled: from \$130 billion

19 Visit the site of the Turkish Statisticians Society: URL: http://www.tuik.gov.tr/PreTablo.do?alt_id=1108

20 Ekonomik Rapor 2008, p. 170; Ekonomik Rapor 2010, Ankara, TOBB, 2011, p. 14; Ekonomik Rapor 2012, Ankara, TOBB, 2013, p. 207.

21 Ekonomik Rapor 2012, p. 207.

22 Ekonomik Rapor 2014, Ankara, TOBB, 2015, p. 185.

23 Ekonomik Rapor 2016, Ankara, TOBB, 2017, p. 200; Ekonomik Rapor 2018, Ankara, TOBB, 2019 p. 220.

in 2002 to \$444 billion in 2018. As a share it now stands at 57% of Turkish GDP²⁴.

Turkey was wont to lure in the foreign money with much higher interest rates than in the rest of Europe and America. Before the 2009 global economic crisis her Central Bank kept credit costly for the sake of the financial stability and low inflation. Thus, in 2005, when the inflation stood at 8%, the long-term credits cost in Turkey 16%. This was 4–8 times higher than in the stagnant EU area, where rates were down to 1% or 2%²⁵. One of the Turkish economic pundits quipped: “the Central Bank is pouring milk and honey into the maw of money-lenders; small wonder Turkey is so ‘hot!’” Indeed, for a few years Turkey turned into “investor’s paradise”²⁶. Keen on profit, the short-term speculative capital was flooding Turkey’s money market, and buoying thereby the Lira. After the crisis Turkey had staged a brisk recovery, whereas the west was mired in stagnation. This being so, the transnational capital rushed into the quickly growing Turkey, boosting the investments and fueling consumption, whereas her government was doing everything to please the “international financial community”.

Perhaps, the only show of defiance put up by Turkey during this period was the discontinuation of credit line of IMF in 2010. “After the long negotiations” – wrote Z. Onis, a prominent economist – the Turkish government decided to break relations with the Fund. They now present it to the public as a victory of the resurgent Turkish spirit in its long strife for independence: now Turkey is strong enough to part with IMF! This is indeed remarkable, especially if one compares this to the weakness of Turkey’s rulers in the past, and shall appeal to patriotic sentiments among the widest circles of the electorate”²⁷.

In essence, during its stay in power, the Party had effectuated a change in engines of the economic growth. Back in 1990, under their predecessors, production and consumption were being state-financed with the injections of budgetary funds and wage increases, while the replenishment of the heavily encumbered with the interest payments budget drew largely on the domestic savings and emissions of the governmental bonds. Investors, both the domestic and the foreign, avidly bought the high-yield Turkish treasury securities. But during the 2000s, under the AKP, the economical expansion become financed with foreign loans alone. The budget deficit had virtually vanished, whereas its just as evil twin – current account deficit – ballooned. As a result, dependence on the foreign loans grew even stronger than in the 1990s, since the demand for finance had risen far higher than the domestic money market ever could supply.

But the rate of economic growth was not only higher than in the previous

24 Calculated in accordance with: Ekonomik Rapor 2005, Ankara, 2006, p. 109; Ekonomik Rapor 2016, p. 158; Ekonomik Rapor 2018, pp. 219–220.

25 Dilekli S., Eraslan T. AB üyesi ülkelerde ve aday ülkelerde ekonomik gelişmeler, Ankara, Devlet Planlama Teşkilatı Müsteşarlığı, 2007, p. 37, URL: <http://kisi.deu.edu.tr/utku.utkulu/2007ekonomikgelisme%20EU%20DPT.pdf>

26 Milliyet, 24.06.2013.

27 Oniş Z. *The Triumph of Conservative Globalism: The Political Economy of the AKP Era*, Ankara, Koç University, 2012, p. 12. URL: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2003026

period, but also more stable, which was one of the decisive factors of the unflinching support of the AKP by almost half of the Turkish voters.

The hazards of the 'financial realism'

Although the aforementioned growth model has endowed the Turkish economy with certain dynamism, it has the obvious shortcomings, such as high level of exposure to the external risks and the inseparable linkage of the domestic growth to the inflow of the foreign capital, which recently has grown increasingly unstable due to the various adverse developments: not only economical, but also purely political. In May 2013 the emerging markets, including Turkey, had experienced a massive outflow of capital - the first, as it turned out, in a row. This flight was caused by rumors about the intention of the American Federal Reserve to slash its purchases of the Treasury bonds. In the wake of the resulting turbulence Morgan Stanley consigned the Turkish Lira to the basket of the five most 'fragile' currencies, along with those of Brazil, India, South Africa and Indonesia²⁸. What all these countries had in common was their dependency upon the influx of the short-term speculative capital, which flight forced them into devaluations. Thus, by September 2013 the Turkish Lira lost 10% of its value one year ago. In September 2013 the Economist had published the so-called capital freeze index, reflecting the vulnerability of the countries' domestic markets to the disruption of the money influx. There Turkey scored the highest (about 18 out of 20), being, in their opinion, the riskiest of all emerging markets²⁹.

The further, oft-foretold upheaval happened late in January 2014, after the Fed stopped quantitative easing. The Lira lost another 10% against the Dollar. Towards the end of 2015 the Fed increased its interest rates. This pulled the speculative capital out of the emerging markets back to its cosy western harbours. For Turkey, now heavily reliant on such a capital, this meant big troubles lay ahead.

The later rounds of depreciation ensued from politics - disastrously! In August and September 2018 the Turkish Lira plunged by 40%. Depreciation spawned inflation, which reached 18% - the highest since 2004. In September the Turkish Central Bank was forced to raise its interest rate by 625 points to 24%, whilst early in the year it was just 8%³⁰. The country passed through a period of

28 Morgan Stanley Presents: 'The Fragile Five' — The Most Troubled Currencies In Emerging Markets, Business Insider, 24.09.2013, URL: <http://www.businessinsider.com/morgan-stanley-fragile-5-emerging-markets-2013-9?op=1#ixzz2jwWTpu0>

29 The capital-freeze index, again. This spreadsheet is different. An error, an apology and a revision, The Economist, 21.09.2013. URL: <http://lb-stage.economist.com/news/finance-and-economics/21586569-error-apology-and-revision-spreadsheet-different> (accessed 30.08.2019)

30 Erdogan's New 'Existential' Test: Municipal Elections on March 31, CSIS Commentary, March 29, 2019. URL: <https://www.csis.org/analysis/erdogans-new-existential-test-municipal-The-justice-and-development-party-is-a-moderate-Islam-party-created-in-2001-which-united-the-so-called-Renovationists-who-were-previously-part-of-the-Pro-Islamic-predecessor-parties-with-a-more-rigid-system-of-religious-views.-Sharing-the-system-of-Islamic-values,-the-Party-is-very-far-from-radicalism-and-claims-to-be-a-political-force-of-the-center-right-conservative-wing.elections-march-31>, (accessed 30.08.2019)

economic turbulence. The growth slowed down to 2,6%, comparing with 7,4% the year previously³¹.

R.T. Erdogan, the Turkish President, blamed for the turbulence 'the big economic players, the USA in particular,' accusing them of 'interference, manipulation, and systemic attacks on Turkish national economy.' Such sentiments were echoed by many other Turkish high officials, and widely shared by the public. It didn't help, when in retaliation to the arrest of Andrew Branson - of an American evangelist, who preached the cross among the Kurds - America imposed steep tariffs on Turkish steel, and threatened more to come. The international investors immediately concluded that outlook for them was bleak, and fled. The Dollar clambered up. A drastic hike in the interest rates by Turkey's Central Bank restored investor confidence, made Turkey once again attractive. The country turned into a nursery for profit-seeking foreign capital - one of the few it really loved. All troubles seemed to disappear, if only for a while. But the underlying problem of unacceptable dependence on the external sources of finance remained unsolved - and still remains.

The Turkish leadership is well aware of this problem. Their medium-term development program for 2019-21, published in the days of economical upheavals, aims at reduction of the current account deficit from 6% right now down to 2,6% in 2021. Towards this end they want to wean the country off her strong dependency on imports. But this, unfortunately, does require a quantum leap in the industrial development towards high-tech, high-added-value products. So far, such products do amount to only 4% of Turkish exports, the rest consisting of the opposite. The Turkish goods are cheap - the imports costly³². Yet, Turkey just can't live without.

Once Andrew Branson was released, the Lira strengthened, but stayed below its rate one year ago. This had a negative effect on Turkish companies, pushed them still deeper into debt. The year 2019 put further pressure on the Turkish currency. Towards the end of March it plunged - right on the eve of the municipal elections - apparently, because of the political uncertainty, which the investors just can't stand. In consequence, the ruling Party lost both in Istanbul and Ankara - the country's biggest cities. The protest vote cost them Izmir - traditionally obstreperous. In Bursa AKP had won, but only narrowly. Then, soured the relations with America - this time round over the purchase of the Russian S400 air defenses. Annoyed, America has cancelled the delivery to Turkey of F-35 'stealth' fighters, and shut the Turkish enterprises out of their joint production program, that others toe the line in fear. Now the Congress is considering the imposition on its major ally of economic penalties under CAATSA - Countering

31 Ekonomik Görünüm, Temmuz 2019, Ankara, T.C. Ticaret Bakanlığı, 2019, p. 4.

32 2017 Yılı Programı, 17.10.2015, Tarihli ve 29862 Sayılı Resmî Gazete'de Yayımlanan, 3.10.2016, Tarihli ve 2016/9368 Sayılı 2017 Yılı Programının Uygulanması, Koordinasyonu ve İzlenmesine Dair Bakanlar Kurulu Kararı Eki, Ankara, Bakanlar Kurulu, 2016, p. 196. URL: <http://www.kazanci.com/kho2/mbb/files/bkk2016-29873.htm>, (accessed 30.08.2019)

America's Adversaries Through Sanctions Act. But Erdogan remains undaunted. He is convinced of the American involvement into the failed July 2016 coup attempt against him. He, furthermore, is irritated by the Americans' refusal to extradite to Turkey F.Gulen - his main ideological rival and leader of the Hizmet movement, on whom he blames that wretched coup d'état. Nor would Americans entrust him now with custody of their Patriot surface-to-air missile systems. Add yet to all of this the war next door in Syria, sparked by the so-called 'Arab spring'... The Turkish President is riding a huge-huge wave of Yankophobia. The latest public opinion survey, taken last June, at the height of S400s controversy, has found, that the hostile sentiments towards America are now harboured by up to 89% of Turkish citizens³³.

Alas, the patriotic fervour has no effect upon the economic fundamentals. In the first quarter of 2019, for the first time since 2009, the Turkish economic growth turned negative - production fell by 2,6%. Dollar, which in 2019 was barely worth 5,4 Lira, shot up to 5,7. From January to June 2019 the current account deficit fell drastically - from \$31 billion to \$3,3 billion. But this was due to ebbing imports, which over the same period shrunk by 22,7%, accounting for a 42,5% reduction in the trade deficit³⁴. The Turkish economy still shows some pretty strong immunity against adverse external factors: the rising Dollar shrinks the imports - the sector using them contracts. Nevertheless, the economic openness is narrowing the room for the political maneuvering, available to Turkey's government. They now must govern very carefully, or else risk triggering collapse.

So, under the rule of AKP Turkey has become a major destination for the transnational money flows. The influx of the foreign capital has spurred the economic growth. The country reached high levels of prosperity. But, at the same time, the whole economic life in Turkey turned hectic, fitful, and much riskier. She now must reckon with fallouts not only from the global cataclysms and crises, but also from the local conflicts, which hurt her ratings just as badly. Thus, the deliverance from the 'globalization forces', so much desirable for godliness, remains unreachable in practice. One either has God's peace - or growth.

33 US-Turkey Relations: Summer Doldurms, Autumn Storms?, CSIS Commentary, August 29, 2019. URL: <https://www.csis.org/analysis/us-turkey-relations-summer-doldurms-autumn-storms>, (accessed 30.08.2019)

34 Ekonomik Görünüm, Temmuz 2019, p. 8, 18.

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ЕКОНОМСКА ПОЛИТИКА ПАРТИЈЕ ПРАВДЕ И РАЗВОЈА: ВЕОМА „НЕИСЛАМСКА“ У НЕКИМ ДЕЛОВИМА

Сажетак

Овај чланак анализира економску политику турске Партије правде и развоја. Чланак показује да, противно исламским принципима које би требало да прати, ова партија чини земљу све више зависном од страних извора финансирања. Са једне стране, прилив страног капитала је утицао на економски раст. Међутим, Турска је већ и очигледно ће наставити да буде талац растуће зависности од прилива и одлива страних фондова.

Кључне речи: Турска, Партија правде и развоја, економска политика, исламска економија, страни извори економског раста

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