

Strictly Private & Confidential

A snapshot of Turkey in the run-up to the 2019 presidential election

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After the turmoil of the last few years, Turkey has now firmly set sail under the leadership of Recep Tayyip Erdogan – away from Europe and into a unique position as a lonely power in the region. But as Turkey’s recent history shows, the unpredictability of events makes a path of stability in modern Turkey difficult to identify.

Ankara has long abandoned dreams of leading the Arab world into Pax Ottomanica or serving as a bridge between east and west. Instead, with increasing fears of a Kurdish resurgence in its neighbourhood, the Erdogan regime is now focused exclusively on the dual priority of retaining Turkey’s territorial integrity and holding on to power in the run-up to the 2019 presidential elections.

This is clearly the “New Turkey”, as Erdogan supporters like to point out. Since the coup attempt of July 2016, both anti-Western sentiments and the injection of conservative Islamic values into the public domain have become common. A dangerous combination of nationalism and social polarisation is on the rise, and Erdogan’s Islamist supporters believe in a historic call to remodel Ataturk’s secular republic into a Sunni power, with Erdogan at the helm. This “New Turkey”, emerging from the April 2017 constitutional referendum on expanding presidential powers, is markedly more authoritarian and conservative than the Turkey of a decade ago. Power is concentrated at the top and nearly all key decisions are taken by the presidency.

But behind this picture of absolute power, there is a sizeable opposition to Erdogan’s rule and a quiet resentment about the country’s authoritarian drift. There are also a significant number of external factors that weakens Erdogan’s grip on the country: the Syrian war, the Iraqi Kurdish issue, the PKK’s regional expansion, the poor state of relations with the United States and Western powers.

Despite the government’s near-total control of the media and the bureaucracy, and allegations of voting irregularities, nearly half the Turkish population – and the majority in major cities – came out against the expansion of Erdogan’s mandate in the April 2017 referendum. Cognisant of this, the regime has had a tough balancing act to maintain in the run-up to 2019 elections: maintaining Turkey’s economic performance while preventing the rise of a new wave of dissent.

Changes to Turkey’s domestic calculus

April’s referendum result has encouraged a series of players to consider running against Erdogan in the 2019 presidential election. However, with the opposition camp divided among different political movements, Erdogan still remains the most powerful player on the domestic scene. It is technically possible for the opposition to defeat him – such as

through a skilful campaign and by uniting around a Turkish ‘Macron’ in the second round in 2019 elections. But it is hard to predict if the opposition will be able to seize such a possibility in the near future.

This will be the first time Turks have voted directly for an omnipotent executive president under the new presidential system in a two-tier election. (Previously, the presidency was a non-partisan and symbolic post and the executive branch was headed up by the prime minister.) Erdogan will control the party lists for the Justice and Development Party (AKP). If he is elected, he will continue to exert influence over parliament and the judiciary at large, as set out under the new constitution.

Driving the opposition camp is a deep-seated resentment among some parts of the population directed against the persona of Erdogan and the AKP’s 15 years in power. The opposition splits into three distinct ideological camps: The social democrats in the main opposition Republican People’s Party (CHP), the pro-Kurdish People’s Democracy Party (HDP), and the emerging centre-right nationalist party led by former minister and deputy speaker of the Turkish parliament, Meral Aksener. Together these political camps consist of Turkey’s secularists, the left, Alevis, Kurds, disgruntled secular nationalists and liberals – but do not have a common political platform other than opposition to Erdogan’s long reign.

Against this 49 percent voting block (according to April 2017 results), Erdogan’s conservative AKP still enjoys a solid minimum of 40 percent of the vote. He has de facto coalition with Devlet Bahçeli, the leader of ultra-nationalist Nationalist Action Party (MHP). Even though the 69-year-old Bahçeli has long lost credibility in the eyes of his supporters with successive electoral failures, and can only appeal to a third of MHP’s 15-18 percent vote, he was helpful in tipping the balance in favour of the AKP in the April 2017 referendum. In the run-up to the 2019 presidential election, Erdogan needs whatever he can get from his nationalist ally. Erdogan’s alliance with Bahçeli has also had political implications for Turkey – it has contributed to the dismantling of the peace process with the PKK, the arrest of Kurdish politicians, and the pursuit of hardline nationalist policies at home and abroad. It has significantly changed the tone and the direction of the AKP, once touted as a reformist pro-European party and now a nationalist-Islamist force. MHP has also played a leading role in facilitating recruitment to the security services following the widespread purges of Gulenists over the last year.

Where there is room for a newcomer in Turkish politics is precisely here, on the conservative right, with both Bahçeli and Erdogan partly seeing a drop in their vote. (Based on previous election results, the combined vote share of MHP and the AKP had been set to be around 65 percent in the referendum, but in the end was a mere 51 percent even amid allegations of irregularities). But the climate of fear (of persecution and tax investigations) has put several interested politicians off running.

One exception is the 61-year-old Meral Aksener, who has split off from MHP to establish her own political movement and intends to stand against Erdogan in the presidential election. The former deputy speaker of the Turkish parliament and a minister of interior in the 1990s, Aksener is an astute politician and has solid centre-right credentials. The question is whether her new party (still in the works) can expand to fill the vacant ideological space on Turkey’s centre-right – or whether it will fill up with disgruntled

former MHP politicians and be consigned to being an ultra-right party settling for 16-20 percent of the MHP.

Meanwhile CHP and HDP also intend to stand their own candidates, even though officials from both parties say privately that in the second round they would consider rallying behind the leading anti-Erdogan candidate. But such a move is easier said than done, given the ideological span that an anti-Erdogan candidate has to cover – from Kurds to secularists to disgruntled Turkish nationalists. CHP is also focused on identifying a candidate that would have centrist appeal and attract different constituencies. HDP will likely put forward imprisoned Kurdish leader Selahattin Demirtas as their presidential candidate, but consider voting for a Kurd-friendly figure in the second round.

Expect Ankara to maintain the state of emergency until the 2019 presidential elections – in part because it is convenient to govern the country via decree and without the ‘hassle’ of parliamentary votes. Under the new system, parliament is less effective and more symbolic – as Erdogan rules through executive decisions and consultations with top leaders in the military, intelligence, and economic affairs. Ankara will continue the fight against Gulenists within the state bureaucracy but the purge is unlikely to intensify any further. Even though the Turkish president is unwilling to ‘loosen up’ in terms of freedoms and arrests, there is unease about these practices within AKP ranks and the party’s conservative base. AKP leaders will have to take this disgruntlement into account ahead of the 2019 election. A commission has been established to process complaints from those purged by government decrees (roughly 150,000). Complaints already number over 100,000, and this is expected to reach 120,000 by the end of this month. But do not expect dramatic results. While some expelled employees might return to work, the government will not want or allow a massive influx of purged Gulenists, secularists, or Kurds back into government services. The arrests of journalists and human rights activists have resulted in too much unwanted attention from the international community and eroded the legitimacy of the government’s fight against Gulenist networks within the system. Moving on, it is highly unlikely that Ankara will want further high-profile cases that could lead to further international embarrassment.

Relations with the West

Ankara’s deteriorating relations with Europe and the possible suspension of its accession talks are not major issues in the government’s political calculus in ahead of the 2019 election. Europe is no longer a priority for Turkey.

While the bureaucracy and foreign policy establishment do not want to see any suspension or termination of the EU process, the population is indifferent, having long abandoned dreams of integration with Europe.¹ In fact, with relentless anti-European Union

¹ Nearly all polling data since mid-2016 has shown declining support for EU membership. This is not surprising, given that Turkish officials, state media and pro-government media criticise the EU member states on a daily basis for supporting the PKK or Gulen movement. Andy-ar research from November 2016 show 47 percent support for continuing the accession process (against 44 percent who want to end it). However, when broken down by party support, this and other polls show that CHP and HDP voters overwhelmingly support the process while 58 percent and 54 percent of AKP and MHP voters respectively support the idea of ending talks. All in all, 75 percent of Turks believe that “Turkey is moving away from Europe.” Research from July 2017 by Kadir Has University show that only 24 percent of Turks feel that

propaganda over the past several years, a significant cross-section of Turkish society now believes that Europeans (and the West) do not have Turkey's best interests at heart, were behind the failed coup, or even support terrorism against Turkey. The EU-terrorism connection is a daily topic in Turkey's pro-government media headlines.

Erdogan does not see the accession process as realistic. But he does not want to be the one calling it off – in part because of the economic repercussions such a move would have. What Erdogan would prefer is continued economic ties and a deeper economic integration with Europe – by way of modernising the customs union but without having to comply with the Copenhagen Criteria. He has praised Brexit as a possible model for Turkey. The EU is Turkey's top export market and second largest import market, and the government's anti-EU position is based on the premise that economic interests and political ties can be compartmentalised, even under the current accession framework. Officials in Ankara underline that Turkey is “too big a market” for Europeans to let go. What the bureaucracy prefers is the continuation of the status quo – a frozen accession process and a continuing customs union.

Turkey increasingly positions itself as an independent power – as opposed to a member of the Western camp – and would like to establish non-hierarchical bilateral relations with big global powers based on ‘equality’. There is a strong belief that both the United States and Europe support the Kurdish cause, even the PKK, and would like to carve out a Kurdish state when the time came. But this belief has not made the establishment more trusting of other powers such as Russia, whose relations with Kurds, specifically the PKK, go back decades. The Russians are not working as close with the Syrian Kurds as closely as the US is, and have lately backed Turkey's plans to carve out a safe zone between Kurdish areas in northern Syria. Russian forces also provide protection against a possible Turkish move against Syrian Kurds in Afrin and Manbij.

As senior officials see it, “Turkey is in a hybrid war with a number of global players, some of which are our allies.” However, there is less willingness to criticise Russia and Saudi Arabia, knowing that the relations are fragile and the backlash from these countries could have major economic and political circumstances. During the six-month fallout between Turkey and Russia after the downing of a Russian fighter jet on the Syrian border, Vladimir Putin maintained a very tough and uncompromising stance, engaging in a stinging verbal attack on Erdogan and limiting Turkey's movements in Syria. Putin's zeal for a fight was starkly different from European attitudes to disputes with Turkey, mostly underlined by a collective effort to “de-escalate” and engage. Putin's method worked. In June 2016, Erdogan wrote two letters of apology to the Russian president and relations have gradually been restored. The Russians are getting a good deal from this relationship. Moscow has got Ankara to tone down anti-Assad rhetoric and support the fight against the al-Nusra Front and other radical groups. In the Russian-led Astana process, Turkey is agreeing to provide monitoring in Idlib, a move that could bog the Turkish military further down in Syria's most dangerous area.

the “EU is a threat to Turkey” and 81 percent believe “Turkey will never become a member of the EU.” Support for continuing the process remains at around 45-47 percent in different polls.

Against this backdrop, Turkey's decision to purchase Russian S-400 anti-missile systems has several uses for Ankara. Firstly, it provides much-desired missile protection for the regime. Secondly, it sparks a "Have we lost Turkey?" debate within NATO, possibly with a renewed round of diplomatic effort to engage with Erdogan. And thirdly, it sends a clear message to the American Congress and some European countries, which are unwilling to sell weapons systems to Turkey, to say that "Turkey has alternatives".

The Erdogan government's high expectations for a reboot in relations with the US under Donald Trump have been scaled back for a number of reasons – namely: continued US support for Iraqi Kurds related to the PKK; the perception that Trump is rendered powerless by the "American deep state", as the AKP sees it; and two investigations in the US that go to the core of Erdogan regime. The cases concern arrest warrants for Erdogan's security guards following attacks on protestors in Washington, DC in April 2017, and Iranian-Turkish gold trader Reza Zarrab and several Turkish government officials in a New York court for violating Iran sanctions. Together, these investigations are seen as efforts to 'bring down' the Erdogan regime through outside pressure, facilitated by former Gulenists living in the US. Even though Erdogan does not see Trump as responsible for these charges, he no longer views US as a trustworthy ally.

A resilient economy

To a large extent, Erdogan has been able to win successive elections on account of his ability to deliver bottom-line results for the Turkish population. He continues to see economic progress as the key to holding onto power. With a population nearing 80 million and a sizeable manufacturing base, the Turkish economy has been extremely resilient over the past two years, continuing to grow at 2.9 percent in 2016 despite a coup attempt and a year-long counter-insurgency campaign. The growth forecast for 2017 is estimated to be around 5 percent and the government has managed to stop the depreciation of the Turkish lira – thanks in part to the policies advocated by deputy prime minister Mehmet Simsek. Despite Erdogan's initial reluctance, the deputy prime minister – a former Merrill Lynch economist and a reformist within the cabinet – has managed to convince the Turkish president to allow the central bank to raise interest rates. Turkish banks currently give as high as 14 percent annual return to Turkish lira accounts and this high rate attracts a number of global funds and investors.

But the model is not without its problems and most economists fear that Turkey's pro-growth model will not prove sustainable. The 'hot money' that enters Turkish markets does not translate into real long-term investments. With a state of emergency firmly in place, the political climate is not attractive to foreign direct investors – or even Turkish businesses. While the government's 'Credit Guarantee Fund' has allowed banks to relax their policies and give loans to Turkish businesses, this is adding to the government's fiscal burden. Rich and middle-class Turks are still 'dollarised' – that is, they do not trust their currency enough to keep their savings in Turkish lira. While private banks are in good shape, public banks are overstretched and cannot borrow at market rates.

With an oversized public sector and a huge current account deficit, it is hard to sustain this growth model forever. The government's priority will be to preserve the current levels of growth and inflation, and the exchange rate, until 2019 – even at the cost of further public

sector spending. To the question “Is this doable?” economists have different answers. But with dampened expectations about the US economy under Trump and the Fed’s reluctance to go for a dramatic hike in interest rates, liquidity will be available to emerging markets like Turkey – especially when Turkish banks offer such high interest rates.

Kurdish impasse

The government’s hardline policies on the Kurdish issue are another topic that seems unsustainable in the long run – but possibly sustainable enough until 2019. Currently, hundreds of elected Kurdish officials, mayors, and elected members are in jail on charges of “supporting terrorism” and Erdogan remains adamant about equating HDP with the separatist PKK. Mass arrests and emergency rule are weakening the loyalties of Turkey’s Kurdish citizens in south-eastern Turkey. As was evident in the April 2017 referendum, even with reports of irregularities, this Kurdish resentment is fully reflected in polls.

But despite the public pressure and internal grumblings from within the AKP, the Turkish president is signalling that he would continue hardline Kurdish policies until the 2019 election. In particular, Erdogan seems to nurse a personal grudge against the imprisoned Demirtas, whose success in the June 2015 election campaign almost robbed the AKP of power.

Erdogan’s political calculations perfectly match the anxiety within Turkey’s security establishment and military about the rise of the Kurds in Syria. Turkey sees the People’s Protection Units (YPG) in Syria as an extension of the PKK and will not consider normalising relations with this group until after 2019. Over the next year, Ankara’s priority will be working with Russia, Iran, and even the Assad regime, to shrink the territory held by YPG on Turkey’s immediate border. In particular, Ankara will try to cut off the land corridor between the two separate Kurdish enclaves on its border (Afrin to the west and Kobani to the east) and will try to enlist friendly Sunni opposition forces to provide a bulwark against a united, contiguous Kurdish entity on its southern flank. Turkey may also increase its deployment in the 100 km ‘safe zone’ it has carved out. It will work with Iran and Russia to deploy peacekeepers in the Idlib area.

What to do with the Iraqi Kurds is a relatively more manageable headache for decision-makers in Ankara, as it tries to calibrate the appropriate response to the Kurdistan independence referendum of 25 September 2017. Iraqi Kurds – in particular the Barzani family – had been the Turkish president’s closest allies in the region and the oil trade from Kurdistan through Turkey’s Mediterranean facilities has been the most significant source of revenue for the cash-strapped Kurdistan Regional Government (KRG). Turkey sees the KRG as a friendly and stable entity and an important market for Turkish goods. This policy of ‘Good Kurds versus Bad Kurds’ also allows Ankara to make the case that it is not ‘against Kurds’ per se – just the PKK and its affiliates.

But the KRG’s independence referendum presents a challenge for this cosy policy, creating enormous domestic pressure on the Turkish government to formulate a harsh response to the KRG’s quest for independence. The AKP’s important allies at home, MHP and Bahceli, want to see a hardline response to the KRG and this will be a difficult call for Erdogan to ignore – given his dependence on ultra-nationalists in next year’s election. In

all likelihood, Ankara will recall its consular staff and curtail border trade for a period to appease MHP and new-found regional allies like Iran, but will not entirely sever relations. Maintaining good relations with the KRG is indispensable for Erdogan as long as he is pursuing hardline policies at home.

There could also be some short-term military activity on the Turkish side of the border and intensified air campaign against PKK targets in northern Iraq to appease MHP and show the domestic audience that Ankara does not accept Kurdish independence easily. Ankara will try to show enough muscle to make sure that the referendum does not result in an immediate declaration of statehood. But in the long run maintaining relations with KRG is indispensable for Erdogan as long as he is pursuing hardline policies at home.

Recommendations

The EU should:

- accept that relations with Turkey will be fraught for the foreseeable future because of Erdogan's domestic agenda. It should continue to keep Ankara at 'arm's length' until the 2019 presidential election. Europe should continue sending signals to Ankara that its actions will continue to have negative consequences for relations.
- understand Turkey's economic vulnerabilities and its dependence on European institutions and investment banks for borrowing. This is real leverage for Europe.
- work on areas of common interest such as counter-terrorism and the containment of jihadis from Syria.
- understand that the EU accession process is neither carrot nor stick for Turkey – that it is significantly downgraded in importance and future projections. At the moment, it makes little sense to focus on accession as a stick with which to punish Turkey.
- increase engagement in the Council of Europe to push for greater respect for human rights and democratic standards.
- engage with different layers of civil society in Turkey. It should seek to deepen ties with minorities and the financial and business worlds.
- remind Ankara of the value of NATO alliance in its defence.

This Report has been commissioned by the Netherlands Ministries of Foreign Affairs and Defence within the PROGRESS framework agreement, lot 2, 2017. Responsibility for the contents and for the opinions expressed rests solely with the authors; publication does not constitute an endorsement by the Netherlands Ministries of Foreign Affairs and Defence.

The PROGRESS Lot 2 research programme revolves around Europe and its Neighbours. It is a joint effort of the Clingendael Institute, the European Council on Foreign Relations (ECFR) and Chatham House.