

This week's edition of "Türkiye in Focus" explores several key topics:

- Treasury and Finance Minister Mehmet Şimşek commented on the recent peak in inflation, suggesting that the most challenging period might be behind us. Researcher Şeymanur Yönt discusses the state and prospects of the Turkish economy with SETA's Deniz İstikbal.
- The implications of Foreign Minister Hakan Fidan's recent trip to China are analysed by researcher Burak Elmali.
- The widespread rumours regarding refugees from Rwanda arriving in Türkiye highlight how migration has been weaponised in the Turkish public sphere combined with the rapid spread of conspiracy theories.
- Although still early to say for sure, there may be signs of a new shift in Turkish domestic politics.

Interview with Dr. Deniz İstikbal on the Turkish Economy



Dr. Deniz İstikbal,
SETA

Şeymanur Yönt had an interview with Dr. Deniz İstikbal from SETA about the present situation and prospects of the Turkish economy.

Mehmet Simsek announced that Türkiye had left the worst behind and entered into a disinflation process. Considering that, do you expect any changes in future policies, or what kind of policies do you anticipate?

Between June 2023 and June 2024, the Turkish economy underwent a significant transition. Employment and growth stabilized, supported by stringent cost and monetary policies aimed at curbing inflation. The Turkish lira appreciated in real terms, and the country attracted over \$15 billion in foreign direct investment. Additionally, the CDS premium dropped significantly, and residents converted nearly \$20 billion from foreign currency into the Turkish lira. These developments led to political success, reinforcing the commitment to maintaining rational economic policies.

What further structural reforms are needed to maintain the current economic recovery?

The 12th Development Plan (2024-2028) and Medium-Term Program (2024-2026) outline numerous structural reforms, including broadening the tax base, streamlining bureaucratic processes, reducing inflation, and enhancing institutional strength. Şimşek's team is also poised to implement additional reforms as needed. As these initiatives are tailored to current demands, there is a strong emphasis on preparing Turkish industry for the new industrial revolution. The most significant reforms are anticipated in the areas of Turkish industry and R&D expenditures.

In light of the recent progress, what are the key challenges that Türkiye still faces in achieving sustainable economic growth, and how can Türkiye overcome such challenges?

Total employment in Türkiye increased from 31.3 million in June 2023 to 32.3 million in March 2024, resulting in the creation of over 1 million jobs within a year. Economic growth has decelerated to a more sustainable pace. Although demand was restrained, exports, production, and technology investments were actively promoted. The tightening of monetary policy aimed to control inflation was implemented gradually, contributing to a more balanced economic growth. Additionally, with 1.5 million university graduates each year, Türkiye boasts a substantial human resource pool, positively impacting growth and driving Turkish companies towards a more innovative outlook.

Mehmet Şimşek mentioned that achieving price stability requires patience and time. How long do you anticipate it will take for Türkiye to reach the desired level of economic stability?

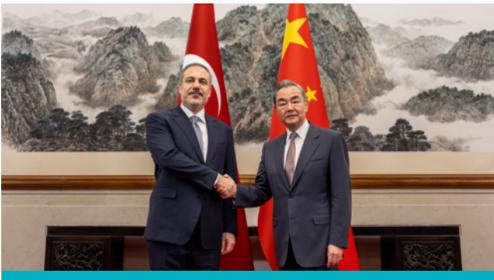
Fighting inflation is an ongoing process. The Federal Reserve and the European Central Bank have been battling inflation for over two years, yet full success remains elusive. In Türkiye, price stability is critically important. Monetary tightening is accompanied by significant public sector savings, with the government cutting spending by over \$10 billion over the next three years. The Central Bank is employing its tools to stabilize prices, aiming to reduce inflation to 38 percent in 2024 and potentially to 14 percent in 2025. During this period, foreign investments flowing into Türkiye will aid in maintaining price stability and bolstering Central Bank reserves. These reserves, currently estimated at around \$150 billion, are projected to grow to approximately \$220 billion, with net reserves reaching an all-time high of \$80 billion. Consequently, the Şimşek model is proving effective, and the reversal of inflation will soon become evident.

Hakan Fidan's Important Visit to China

Researcher Burak Elmali gives his insights on foreign minister Hakan Fidan's visit to China.

"Turkish Foreign Minister Hakan Fidan's visit to China earlier this week stands out as a significant diplomatic development. During his visit, Fidan engaged in high-level meetings in Beijing with Chinese Vice President Han Zheng, Foreign Minister Wang Yi, and senior CCP official Chen Wenqing. His itinerary also included stops in Urumqi and Kashgar, key cities in Xinjiang.

This visit marks a substantial step in strengthening bilateral relations and enhancing economic cooperation, with China being Türkiye's third-largest trading partner. Given the current trade imbalance favouring China, discussions focused on achieving a more equitable trade balance through investments



Turkish Foreign Minister Hakan Fidan (L) meets Chinese Foreign Minister Wang Yi (R) in Beijing, China on June 4, 2024. (Murat Gök - Anadolu Agency)

in agriculture, tourism, and high technology. The strategic importance of Türkiye in global trade connectivity was emphasized, particularly in relation to the Türkiye's Development Road Project and China's Belt and Road Initiative (BRI). Additionally, the crucial role of both countries in maintaining global supply chains in the era of heightened competition was highlighted.

Fidan underscored the importance of China's supportive stance on the Palestinian question and the humanitarian crisis in Gaza, highlighting this as a critical aspect of their discussions. Notably, Fidan's visit to Urumqi and Kashgar was the highest-level Turkish visit to Xinjiang since 2012. He described Xinjiang as a bridge between China and the Islamic world, underscoring its significance and sensitivity for Türkiye.

The visit is also significant in the context of shifting global power dynamics and increasing multipolarity. In today's international system, states can cultivate multiple partnerships across different cultures to advance their national interests. The evolving Turkish Chinese relationship exemplifies how middle powers like Türkiye can balance their ties with Western countries and China, which the West views as a rising competitor in the international arena. Under Fidan's ministry, Türkiye seeks to manage these relationships pragmatically, pursuing its interests without unequivocally aligning with any global bloc. Potential areas of cooperation with China are expected to be improved and facilitated soon. This balanced approach is a hallmark of Turkish foreign policy under Fidan's ministry."

Controversy Brews: UK's Rwanda Plan Stirred Turkish Pundits

In an unexpected turn of events, the UK's Rwanda plan, still pending implementation, has sparked controversy in Türkiye over the past week. Initially signed in 2019, the tourism cooperation agreement with Rwanda, which was ratified by President Erdoğan on the evening of May 29, has quickly become the centre of a conspiracy theory propagated by certain opposition parties.

The allegation suggests that Britain was transporting migrants to Rwanda, with Türkiye purportedly accepting them under the guise of tourists. Screenshots from flight search platforms like Skyscanner displayed numerous flights from Rwanda to Türkiye. However, these screenshots depicted all flight options, including those with layovers, and the UK had not initiated migrant transfers to Rwanda at the time.

Türkiye has nurtured its African relations for a long time. President Erdoğan's frequent visits to Africa underscore Türkiye's commitment to the continent, with diplomatic missions increasing from 12 in 2002 to 44 by 2022. Furthermore, Türkiye continues to engage in various collaborations with African nations.

However, the recent tourism agreement with Rwanda has sparked scepticism among some of the most bigoted political quarters, who perceive this accord as part of a larger conspiracy allegedly bringing asylum seekers rejected by the United Kingdom to Türkiye.

Meanwhile, it is crucial to acknowledge that the rapid proliferation of conspiracy theories concerning migrants stems from the buildup of social tensions resulting from Türkiye's significant migration influx over the past 15 years. In this regard, measures such as integration policies and effective public communication are essential to foster harmony between migrants and Turkish citizens and mitigate the risk of social unrest.

Moreover, conspiracy theories regarding Rwanda have predominantly circulated among representatives of the far-right Victory Party and the Good Party, with some journalists amplifying these narratives. Addressing the exploitation of the migrant issue for political gain is another pressing concern that requires attention.

Is Dialogue with the AK Party Causing Internecine War within the CHP?

In the past year, Türkiye has witnessed significant political shifts following two key elections, fostering new dynamics within and among political parties. Notably, both the CHP and the Good Party, prominent opposition forces, have undergone leadership changes. Recently, dialogue between the AK Party and the CHP has reached unprecedented levels. President Erdoğan's meeting with Meral Akşener, former chair of the Good Party, further underscores this heightened engagement. The announcement of this meeting by the communication directorate prior to its occurrence highlights the significance accorded to it by the Presidency.

Meanwhile, the AK Party organized a gathering, assembling party members, ministers, and MPs. Inside sources revealed intense debates within the party, with some members and MPs expressing concerns about a growing disconnect with the public due to elitization. President Erdoğan, also the AK Party chairman, acknowledged these concerns in his camp inauguration speech, pledging to address them. Additionally, he announced plans for a reciprocal visit to the CHP ahead of Eid al-Adha.

Tensions persist within the CHP, with former chairman Kemal Kılıçdaroğlu publicly criticizing the Istanbul mayor and the party's new leadership. Plans for a party congress in early September, aimed at revising party bylaws, have raised concerns. Kılıçdaroğlu seeks to leverage his influence to turn the congress into an electoral one, despite low prospects of

success. Additionally, internal rifts over leadership influence, notably Ekrem İmamoğlu and Mansur Yavaş's popularity, add to the party's challenges.

As Türkiye navigates potential political shifts, internal party dynamics remain unresolved, hinting at a broader process of change with outcomes yet to unfold.

Highlights

- Mehmet Siddik Akış, the mayor of Hakkari Municipality from the DEM Party, was dismissed by the Ministry of Interior following a lawsuit from 2014. A trustee was appointed in his place. Shortly after, on June 5, Akış was sentenced to 19 years and 6 months in prison for his involvement with an armed terrorist organization.
- Serdar Sertçelik, a member of a crime syndicate and a key witness in the Ayhan Bora Kaplan case, was arrested in Hungary.
- The Bayraktar TB3 drone successfully conducted initial take-off and landing trials on the TCG Anadolu aircraft carrier.
- The Turkish amputee national football team clinched a 6-0 victory against the Israeli team in the 2024 European championship, celebrating their win with Palestinian flags.
- Turkish Airlines was named Türkiye's most valuable brand for the seventh consecutive time.
- The Turkish Statistical Institute reported a 5.7% growth in the Turkish economy for the first quarter of the year.

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