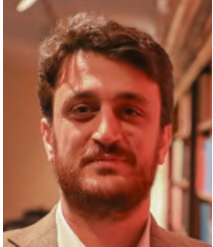


In this edition of Türkiye in Focus, we are covering the following topics:

- The new tax package, which includes numerous new regulations, was passed by parliament just before the summer break. We discussed the new tax law and the current state of the Turkish economy with Dr. Mustafa Metin Başbay from Boğaziçi University.
- The assassination of Hamas political leader Ismail Haniyeh has resonated widely in Türkiye.
- Researcher Ferhat Polat provides insights on the Memorandum of Understanding signed between Türkiye's TİKA and the Libyan foreign ministry.

New Tax Regulations Approved by the Parliament. What Does This Step Mean for the Turkish Economy? Interview with Dr. Mustafa Metin Başbay



Dr. Mustafa Metin Başbay

Last week, the new tax package was approved by the parliament. What are the main highlights? Where do the new regulations fit into Finance Minister Mehmet Simsek's economic program?

The key feature of the new tax package is the proposed increase in the tax rate for high-income earners.

This has been a long-standing issue in Turkish politics, where the tax burden is perceived as unevenly distributed due to the predominance of consumption taxes over income taxes and the tendency for high-income earners to avoid paying their share. While there is general agreement on the necessity of the reform, the main concern is whether the government can implement it effectively and sustainably. Simsek's stringent approach to public finance lends some credibility to the program, but significant doubts remain about its realisation due to political factors, particularly the expected strong opposition from business lobbies.

How do you assess the social support aspect of the economy under Mehmet Şimşek's leadership? Unlike recent years, the minimum wage was not raised mid-year, and pensioners have voiced complaints. What does the economic program offer to the lower classes who are struggling in a high-inflation environment?

Mehmet Simsek faces criticism for prioritising inflation targeting over social welfare. He appears to be focusing on long-term economic stability rather than short-term relief, which is

somewhat understandable given Türkiye's poor inflation record in recent years. However, many, including myself, are uncertain if the program can be sustained politically, especially if the ruling AK Party continues to lose support from low-income voters. Additionally, serious questions arise at the macroeconomic level regarding whether limiting the minimum wage is the most effective method to lower inflation. Numerous economists argue that the primary cause of inflation in Türkiye is not higher wages or strong demand from low or middle-income earners but rather the rising profit margins of companies. Consequently, a significant portion of the population is frustrated by having to bear the cost of inflation adjustment while company profits increase. The recent tax package may be interpreted in light of this criticism, aiming to address these disparities.

What awaits the Turkish economy in the near future? For example, when can we start talking about single-digit inflation figures?

I think the inflation rate will steadily decrease. By the end of 2026, the inflation rate will mostly be normalised if nothing unexpected happens. But the real question is where the Turkish economy will be standing in terms of other macroeconomic indicators such as short-term external debt or current account deficits. We know the normalisation is mostly due to increasing capital inflows, which stabilise the exchange rate. This, in turn, increases Türkiye's external debt obligations while a stable exchange rate in a high-inflation environment erodes the competitiveness of Turkish exports and the tourism industry. These are difficult issues to resolve, which makes economic policy-making an art. We will see if Simsek can find creative solutions.

Reactions from Türkiye to the Assassination of Ismail Haniyeh

The assassination of Haniyeh, the political leader of Hamas, in Tehran had a wide repercussion in Türkiye. The assassination was [condemned in strong terms](#) at the highest level, including by the President and foreign minister. A written statement from the foreign ministry drew attention to [the risk of regional war](#). At the same time, demonstrations and funeral prayers were held in various cities to express solidarity with the Palestinian people.

In Türkiye, public opinion and political parties across the spectrum generally adopt a pro-Palestinian stance, reflecting a broad consensus on this issue. However, the nature of this support varies among political views. The CHP's rhetoric attempts to set itself apart from the others. In his speeches regarding developments in Gaza, the CHP leader consistently begins by condemning the attacks of October 7. This approach was also evident in his recent [comments](#) on Haniyeh's assassination. Although Özgür Özel condemned the assassination and highlighted Israel's massacres, he prefaced his remarks by referencing Hamas' October 7 attack.

This nuance in the CHP's stance on the Palestinian issue likely stems from its desire to align its discourse with that of the Western world. Emulating the West as a model has been a cornerstone principle of the CHP since the Republic's founding. Today, however, what is often referred to as Western civilisation is undergoing a significant identity crisis. For the CHP, grappling with this crisis means confronting one of its most foundational principles.



(Cem Tekkeşinoğlu - Anadolu Agency)

On the other hand, the rhetoric of other political parties is equally noteworthy. Islamist parties, such as the Felicity Party (SP) and the New Welfare Party (YRP), demand more decisive action from the government and employ more aggressive language. Conversely, socialist parties, which have historically been aligned with the Palestinian cause, now adopt a more restrained stance compared to their previous positions, and generally do not mention the name HAMAS. For example, in the Workers' Party of Türkiye (TİP) [condemnation of the assassination](#), neither Ismail Haniyeh nor HAMAS is mentioned. This situation results from their abhorrence of the Islamist identity of the Gazan resistance and the secularist-centred political orientation of these parties.

Türkiye and Libya Sign MoU on Development Cooperation

Ferhat Polat provides insights on the MoU signed between Türkiye and Libya:

Recently, the Turkish Cooperation and Coordination Agency (TİKA) and Libyan Foreign Ministry have [signed](#) a memorandum of understanding (MoU) on development cooperation. Mohamed Zeidan, Libya's Deputy Foreign Minister, mentioned that "this important step was taken to strengthen the joint cooperation between the two countries. This memorandum of understanding was signed for TİKA to start working and presenting projects in Libya". TİKA President Serkan Kayalar also highlighted that since the early 2010s, TİKA has continued to implement projects for the Libyan people.

Türkiye and Libya have a longstanding relationship that spans several decades, primarily driven by mutual interests in energy, trade, and security. In this context, TİKA has been playing a significant role in enhancing Türkiye-Libya relations through its projects in the country. By supporting various sectors like health, education, infrastructure and humanitarian aid, TİKA aims to contribute to Libya's reconstruction process and address the capacity and infrastructure challenges that have emerged since 2011. In a similar vein, TİKA's assistance to healthcare facilities in Libya helps improve the quality of med-

ical services and access to healthcare for Libyans. Providing medical supplies and equipment, training local medical personnel, and supporting infrastructure development all contribute to this. Similarly, TİKA also provides support in the field of education by helping to strengthen Libya's educational infrastructure through activities such as renovating schools, supplying educational materials, and offering scholarship programs for Libyan students to study in Türkiye.

Over the past few years, TİKA has funded the restoration of numerous Ottoman monuments in various regions, including North Africa. In this context, during the ceremony, the two countries signed a protocol for restoring the mausoleum of Ottoman Navy Commander Turgut Reis in the capital, Tripoli. TİKA's activities in Libya demonstrate a deep-rooted historical and cultural bond between Türkiye and Libya. These projects are crucial in improving social and economic aspects strengthening Türkiye's presence and influence in Libya. These efforts also contribute to enhance Libyan people's positive perception and goodwill towards Türkiye, further developing a strategic, mutually beneficial partnership between the two countries. They also serve as a foundation for long-term regional stability and cooperation.

Highlights

- The HIT-30 High Technology Incentive Program has been [unveiled](#). This initiative seeks to boost high-tech investments in Türkiye, focusing on sectors such as electric vehicles, chip production, and renewable energy, with subsidies totalling nearly \$30 billion.
- Special representatives from Türkiye and Armenia convened at the border to discuss the potential reopening of the Akyaka/Akhurik railway crossing. In June, the presidents of both countries emphasised the significance of the normalisation process during their phone [conversation](#).
- The Turkish 10m air pistol mixed team, consisting of Yusuf Dikeç and Şevval İlayda Tarhan, won a silver medal at the Paris Summer Olympics. This marks the first Olympic medal for Türkiye in this discipline. Yusuf Dikeç's unique casual style, shooting with one hand in his pocket and wearing everyday glasses instead of specialised ones like his competitors, went viral on social media worldwide.

Recent Publications by TRT World Research Centre

- [Edge of conflict: Rising tensions and security dilemmas in NATO's eastern flank](#) by Hüseyin Özdemir
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Send us leads and feedback at:
turkiyeinfocus@gmail.com