

Commentary

Turkey after Erdogan: What next?

By George Konstantinidis

The Balkan economies and mainly the Greek economy are negatively influenced by the European debt crisis during the last years. The Turkish economy dominates in the Balkans and can be considered as an emerging one, belonging to the G-20 group (16th largest economy).

The economic governance of T. Erdogan is successful until now. The macroeconomic indexes improved significantly and the Turkish economy up to 2011 had robust growth rates surpassing even 10%. In 2011 it was the 2nd more developed economy worldwide after China.

One critical question concerns the continuity of the Turkish economic "miracle". I expect that Turkey will slow its economic performance in 2012, because inflation is rising and its economy is overheated. The current account deficit is increasing and the cost of living is rising especially in financial centers like Istanbul and Ankara. The successor of T. Erdogan will most probably adopt the effective policies implemented in the last 10 years (A.K.P. is the ruling party from 2002). During this period Turkey "built" its economy on strong "foundations", enhancing its fundamentals.

The essential strategic planning and decision making processes, with political insight and determination, led to the disengagement from the International Monetary Fund in 2008, since Turkey increased its production capacity, utilizing its domestic capabilities, competitive and comparative advantages and depreciating the Turkish lira when necessary. In my opinion, in the following years the Turkish cabinet will stress on the extroversion of the Turkish companies, because exporting activity is a solution to the liquidity and profitability difficulties that companies deal with in an economic turbulent environment. Simultaneously, Turkish officials will tend to promote exporting motives and provide tax and investment incentives in order to attract more foreign direct investments. The real estate sector will also develop, as Istanbul is regarded one of the top metropolitan cities in the field of acquisitions and returns are quick.

I believe that the tourism sector will be one of the priorities of the next Turkish Prime Minister. The level of tourism services is improving while prices are competitive and in this way net tourism revenues exceeded USD 20 billion in 2010. Turkey benefits from the diminishing arrivals of tourists in Greece, due to its severe economic crisis and the frequent strikes. Tourists substitute the offered Greek tourist product with the Turkish one and they often select Turkey as holidays' destination.

Undoubtedly, the Turkish authorities invest extensively on the energy sector, which plays a predominant role nowadays. The energy policy of Turkey is strategically structured on principles and it is one aspect of the economic diplomacy of Turkey, which is affected by the theory of "strategic depth" developed by the Turkish Foreign Minister Ahmet Davutoglu. New business collaborations and mutual economic interstate agreements with countries such as U.S.A., Russia, Egypt, Lebanon, Iran, Iraq, China, Austria even Greece and Israel (although political relations are almost ruined) are included in the strategic objectives of the Turkish economic policy in the next years, concerning energy projects of high importance, such as oil and gas exploitation and the construction of oil and gas pipelines for the transportation of energy resources to Europe.

Overall, the future prospects of the thriving Turkish economy seem to be positive, so Turkish and foreign companies enjoy plenty of opportunities to start or expand their operations in Turkey. I believe that the economic agenda of the successor of T. Erdogan will more or less

focus on similar strategic goals, reinforcing the peripheral and international role of the Turkish economy. Moreover, this constitutes the Turkish officials'