

Emboldened AKP May Push Agenda Too Hard

- 1 US
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Despite the ruling Justice and Development Party's large parliamentary majority, the risk of political instability remains high, given its controversial plan to introduce a new constitution.

- 9 Latin America energy
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Algerberg

Thanks to its landslide victory in the 22 July elections, where it captured almost 47% of the votes and about 60% of the seats in parliament, Turkey's Justice and Development Party (AKP) renewed its mandate, potentially paving the way for a phase of greater political stability after a turbulent 2007. However, the AKP's disregard for the sensitivities of the still-powerful secularist camp and its plans to overhaul the 1982 constitution could trigger significant political tension. In addition to raising political risk, the AKP's decision to prioritize constitutional reform poses a more mundane problem for Turkey: It could become a major distraction, reducing the time and political capital available for other reforms that would improve the economic environment for both domestic and foreign investors. For the same reasons, Turkey's bid for EU membership is unlikely to make any significant headway in 2008.

Following its outright victory in the general election, the AKP succeeded in getting its man (former Foreign Minister Abdullah Gul) elected president. It also established a working relationship with one of the main opposition parties in parliament—the Nationalist Action Party (MHP)—and reached a temporary truce with the military. These developments are positive for the country's political stability, yet market-relevant political risk is likely to increase in 2008. In this regard, the AKP's attitude and its plans to change the constitution are the main sources of concern.

Emboldened by its electoral triumph, the AKP has been paying lip service to the secularist establishment's sensitivities over the past few months, betraying a sense of overconfidence that could harm the party in the long run. If the AKP continues interpreting its new mandate as a green light to move ahead with some of its more controversial ideas and to further cement its hold on power, trouble will not be far behind. In short, Erdogan's party looks set to overplay its hand in a way that could upset Turkey's delicate political balance.

The AKP's plan to introduce a new constitution will be the top political issue in 2008. The text of the new constitution has not yet been made public, but some of the proposed changes have been leaked to the media, sparking public controversies. Secularists fear that a more liberal constitution might unleash some of the debates that have been kept under wraps for a long time. Attitudes toward the headscarf, arguably the most divisive issue in Turkey's society, are number one on this list. The AKP's plans to ease the existing ban

on wearing headscarves in universities could trigger

A proposed new constitution will be the top issue

another fight with the secularist forces, which include the military. Hardline secularists have long regarded the wearing of headscarves in state institutions—whether by civil servants or students—as a violation of the secularism enshrined in the constitution. Other controversial provisions include procedures for appointing high-level bureaucrats and clarifications of how to indict and prosecute the chief of the general staff if needed. Proposed changes would also abolish the Higher Education Board (YOK), limit the power of the president.

The key question is whether, after unveiling the new constitutional draft, the AKP will soften its attitude and succeed in creating a consensus for constitutional reform among the opposition parties and other power groups like the media, judiciary, academia, and business. Failure to create such a consensus could cause further polarization and eventually pave the way for prolonged domestic political tension.

Military interference in the form of statements intended to define the political debate about the constitution is likely. General Yasar Buyukanit may be tempted to adopt a more hawkish attitude to defend his legacy as chief of the general staff because his term ends in August. Buyukanit is expected to be succeeded by the current commander of the Turkish Land Forces, General Ilker Basbug. Basbug shares Buyukanit's suspicion of the AKP, but given his personality he is likely to be considerably more calculating and, as such, a more formidable and effective opponent.

The process of reforming the constitution is expected to take at least 12 months. Once the draft text is unveiled (most probably later this month), parliament will take it up for consideration. Each article in the draft will be discussed and voted on by parliament twice.

Prime Minister Recep Tayyip Erdogan has also pledged to submit the

There is a risk that reform could be a distraction

new constitution to popular referendum once it has been approved by parliament. As a result, there is a considerable risk that the constitutional process could become a major distraction, reducing the time and political capital available for other reforms, many of them crucial for Turkey's EU bid and economic growth.

Although Turkey's EU accession talks lost steam in 2007 mainly due to the crowded electoral agenda, which distracted the government, there is unlikely to be any significant progress on EU negotiations in 2008. Erdogan is likely to find the task of reinvigorating the accession process more difficult than he did during his first term. Turkey's growing

domestic preoccupations, sustained opposition to Turkish membership throughout the EU, and increased skepticism from the Turkish public about the likelihood of EU membership have contributed to a perceptible slowdown in the process. This will not be easy to reverse. The fact that France will hold the EU presidency in the second half of 2008 (Slovenia will hold the presidency in the first half of 2008) could further complicate Turkey's already troubled bid for membership.

The ongoing fight with the Kurdistan Workers' Party (PKK) is likely to extend into 2008, but is not expected to have serious economic or political implications for Turkey. The increased level of cooperation between Turkey and the US allays concerns to a significant

US-Turkey cooperation allays fears of an incursion into northern Iraq

extent about a possible large-scale ground incursion by the Turkish military into northern Iraq. One worrying wildcard is related to the possibility (admittedly unlikely)

that the PKK may succeed in its attempt to shift its campaign of violence from the predominantly rural southeastern region to Turkey's cities, leading to an escalation of violence throughout the country.

The relationship between Turkey and the IMF is likely to weaken. The ongoing standby agreement with the IMF is due to expire in May 2008, and Ankara's decision on its future relationship with the IMF is likely to be shaped by the domestic and global financial circumstances prevailing in the spring of 2008. Given that Turkey now does not need to borrow from the IMF, Ankara is expected to relax, but not cut, its ties with the organization. Under this scenario, Turkey may opt for a Staff Monitored Program (submitting to IMF supervision without getting any new loans) or for the Reserve Augmentation Line (a crisis-lending facility contingent on a country's strong macroeconomic and financial policies).

Turkey has left behind a turbulent year, but the AKP's resounding electoral victory has removed any question of its legitimacy and popularity. This was not only a victory for

The AKP may press its advantage too far

Prime Minister Erdogan's party but potentially also a huge step forward for the

country's democracy and stability. The risk is that the AKP may forget that its success is largely based on its record of restraint and sound policies, and press its advantage too far.

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