1. Introduction

Turkey till recent has enjoyed high economic growth; thanks to its stable policies and reforms. Having a stable economy and a Muslim-dominated population, the country has been seen as a closer ally of the west in interactions with the Middle East.

To achieve growth, the country has eased the restrictions and removed requirement of clearances for environmental impact. Though the country’s infrastructure boasting of skyscrapers, super-fast trains and other infrastructure projects paints a rosy picture, but in last few years the economic growth has slowed down and foreign capital has become scarce.

As part of this document I attempt to look into the economic development of Turkey and how environmental pollution is impacting its economy and that of the world. In connection with this topic I will also mention about the accession possibilities of Turkey to the EU.

The reason of choosing this topic is that I have been interested in the future of the European Union, the main aims of the future including the accession possibilities of Turkey, and I have read several books in this topic. Many people are not interested in this issue in Europe, because they feel this culture is very different from their one.

Cultivating international relationships is essential these days – this is another reason why I find it useful to get acquainted with the cultures of distant countries. Presently, Turkey has a strong and stable economic and military system.

2. The Turkish economy

So far Turkey has been witnessing high growth which was possible only because of its stable policies and reforms. Macroeconomic stability has attracted foreign capital.

However, the situation has changed in the recent years. The country is marred with rising inflation, slowing growth, increasing unemployment (in April 2015, it stood at 11.3 pc, its highest level in the last five years), decrease in demand for goods like cars among others.

Over the years, Turkey became more and more reliant on foreign funds and unfortunately has created an overdependence on the same. The country’s economy is now exposed to foreign factors like US bond buying program, which is prompting
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investors to pull money out of the country. In order to tackle the decline of the foreign capital, the government has picked up spending. Though government has spent a lot on infrastructure sector, alittle has been done in order to promote other sectors like manufacturing. There is still a large need of foreign financing, but with ongoing geopolitical tensions the capital inflows continue to be volatile.¹

Despite the external factors, internal problems persist. The reforms are slowed down and were taken under expectations. Government needs to decrease dependence on foreign capital. The corruption charges over the government, restrictions were imposed on the freedom of press and the investors are do not come off well with the Turkish lira declining against the major currencies.²

Turkey needs to face its more and more social and economic problems. For example, the country needs to focus on the education system and work towards ensuring more and more of the students are completing school and college and not quitting at an earlier stage. The urgency to look into the matter can be understood from the data that just 34% of people aged b/w 25 and 64 have completed upper secondary school education which is much lower to the OECD (Organization for Economic Co-operation and Development) average of 74%.

In addition to above, there is an urgent need of job creation. Only 50% of the people b/w age 15 and 64 hold a paid job.³ The currency has declined adding additional pressure. In first 4 months of 2015 only, Turkish lira has lost 10% of its value.

Tourism has declined in 2015 by over 8% compared to April 2014. This has an impact on the sector of services, which became one of the most important sectors for Turkey.⁴

Turkey is also facing the problems of increasing pollution. The pollution levels are considered higher than in other OECD countries. The pollutants small enough to damage our lungs, tune to 35.1 micrograms per cubic meter in the urban cities.⁵

The government is meddling in the affairs of central bank and policy making. Examples can be taken from government interference in central bank’s action to cut interest rates. With excess of government involvement, businesses are looking for support of government and opting for bribery to win contracts. The government’s interference has restricted research and risk taking.

The government is taking more control on policy-making and seeks moving the country to presidential system. This is a concern for the moderate voices. Recently,

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³ Turkey. http://www.oecdbetterlifeindex.org/countries/turkey/
⁵ Turkey. http://www.oecdbetterlifeindex.org/countries/turkey/
the government has attempted to curtail the freedom of speech, judiciary, press. This has a bad impact on the relationship with the investors. The increase of corruption is concerning to the businesses.

The maintenance of loose monetary policy by the government is destructive in nature. One of the main concerns is over-dependence on foreign investment. It has exposed its economy to external shocks. The global economic crisis in 2009 caused the Turkish economy to shrink by 5%.

In 2013, Turkey shared a bold plan i.e. Vision 2023 as part of which country wants to be among the top 10 world economies, increasing GDP to around $2 trillion and to achieve annual exports of $500 billion. However, a lot of measures need to be done. Turkey needs to encourage research and development, create an environment cohesive to foreign investment and polices for intellectual rights protection. Exchange of technology and knowledge transfer and exposure to innovative goods and services would help in the growth of the country. Areas of the improvement are like regulatory policies. To get approvals for new drugs and medicines can take an average of more than 1100 days. The country has very weak intellectual rights’ protection. This can be understood by the fact, that software piracy in the country exceeds 60% which is 20% more than the global average.6

Several reforms are required just as the declaration of the independence of the central bank, labor reforms, the improvement of the education system, the promotion of the participation of women in decision-making, the enhancing of exports. Currently labor costs are pretty high. This is accompanied by low productivity. Country has the low saving rate of just 14% of the GDP. This needs to be increased in order to decrease the reliance on foreign capital. Maintaining citizen rights is important.7

Turkey is a Contracting Party of The United Nations Convention on Contracts for the International Sale of Goods (CISG) since 2010, which entered into force for the quasi-European country on August 1, 2011. The accession to the Convention provides Turkey a various new opportunities and challenges as well, thus, it can be more efficient as far as the international trade is concerned.8

3. Turkey’s environmental policies

Turkey recently exempted large development projects from seeking environmental impact assessment. This comprises shopping malls with more than 50,000 square meters of area, mass housing projects with more than 2000 units, laying of long railways lines golf courses, and big hospitals among others. The government at the

6 How Turkey can turn around its economy? http://www.csmonitor.com/Technology/Breakthroughs-Voices/2015/0416/How-Turkey-can-turn-around-its-economy

7 Who’s Going to Save Turkey’s Economy? http://foreignpolicy.com/2015/04/03/whos-going-to-save-turkeys-economy-erdogan-akp/

The same time narrowed down the CED report obligation for power plants like hydropower, geothermal, solar among others. The Chamber of Environmental Engineers had criticized the new regulation and raised concerns regarding increase of environmental problems, droughts and pollution.\(^9\)

4. **Impact of pollution on the world economies**

The protection of environment is critical for economic and social development. Air pollution, water pollution, improper dumping of waste, and hazardous substances, climate change are matters of grave concern and pose major threats not only to the health of the society but to their existence itself.

Global warming is impacting climate change and increasing the earth’s temperature at a rapid rate. Globally measures are being taken to control the temperature rise to 2 Celsius degrees. The goals must be the prevention of flooding, desertification, famines. Though responsibilities lie on the business owners as well but concerns are being raised against Shell, which despite the concerns is continuing with drilling and exploration of fossil fuels in the deep sea, which all are expected to cause global temperature rise of 4 Celsius degree. While businesses look to meet the energy demands of the developing economies, it is important that the urgent needs of our planet are kept in mind.\(^10\)

Chile in recent years has become a victim of climate change. The country is facing water scarcity and this is impacting the drinking water needs, business needs esp. of the mining companies, power generation at the hydroelectric power plants among others. The deserts are expanding and cities like Santiago are suffering from the increasing level of pollution. With the widespread impact of climate change, the country is looking towards imposing carbon tax on industries in order to limit and decrease the level of pollution. Apart from tax on carbon emissions, the country is targeting other pollutants including sulphur dioxide, nitrogen dioxide. It has also taken initiatives to expand renewable energy usage and has setup wind and solar farms to meet its goal of generating 20% of electricity from renewable resources by 2025. The world should follow this example and make carbon a factor in world trade.\(^11\)

Disposal of industrial and sewage waste is important and needs to be done properly. Developing economies in order to promote growth and investment tend to ease rules, which has an impact on the environment and create long term problems.


Example: River Ganga in India, which is one of the major rivers and connects various towns, has been a victim of improper waste disposal. This has not only made the river unfit for drinking water, but has also impacted the usage of waterways for transport of goods and people. In recent initiatives by the Indian government to clean the river, the time to clean the river has been estimated to 18 years at a cost of more than $8 billion, which is a huge amount of money and a long term of time. This could have been prevented if sustainable development efforts were made in time. The economic impact because of the pollution is not only about the massive cleanup cost but also has cost the cities in terms of tourism and businesses in term of higher transport costs and energy usage; sometimes even making the businesses uncompetitive.

Keeping the abovementioned concerns in mind, the world leaders had agreed in “World Summit on Sustainable Development” for an implementation plan, which focuses on reducing world hunger, providing access of clean drinking water and basic sanitation and bringing people above the poverty line. In addition to this, the plan comprises investment in cleaner, efficient and affordable energy and supports providing incentives for adoption of clean energy projects.

5. Turkey and the European Union

Turkey is a founding member of the United Nations (1945), a member of NATO (1952), the Council of Europe (1949), the OECD (1960) and the OSCE (1973) and was an associate member of the Western European Union (1992).

On 31 July 1959, Turkey made its first application to join the newly-established organisation. The Ankara Agreement signed on 12 September 1963 started relation between Turkey and the EU. The aim of the Ankara Agreement, as stated in Article 2, was to promote the continuous and balanced strengthening of trade and economic relations between the parties. After that, the Customs Union decision, Turkey-EU relations entered in a totally new dimension as it was one of the most important steps for Turkey’s EU integration objective.

Unfortunately, the EU highlighted many contra reasons of the connection, just as human rights’ problems, immigration problems and also the Kurdish problem in Turkey. Recently, on the 100th anniversary of the Armenian Genocide, EU passed a non-binding agreement asking Turkey to recognize the Armenian Genocide. This was also followed by some EU member states, like Germany and Austria, recognizing the genocide. This has not gone well with Turkey and the diplomatic ties have soured.

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12 Cleaning Ganga will take 18 years, massive investment, Centre tells Supreme Court. http://timesofindia.indiatimes.com/india/Cleaning-Ganga-will-take-18-years-massive-investment-Centre-tells-Supreme-Court/articleshow/43169859.cms

The dispute over human rights is not a new one. Turkey has been monitored under the lens due to its historical past and recent crackdown on opposition parties, press and the judicial system. EU has locked the concerned chapters which form critical part of the 35 chapters, which a country must fulfill for the membership. Although there are issues in the process, we must look at the bigger picture, the economic future for EU and Turkey and the other alternatives.

Turkey is trying to show their modernization for EU and the world. Universities are opened in Turkey, and for instance, the rules for wearing chador are much looser and the principle according to which all women can freely decide to wear a veil or not prevail. Furthermore, there is no referring to Islam in the Turkish constitution at all. Wearing chador is pronouncedly forbidden at certain universities, but it is tolerated at Faith University of Istanbul, for example.

Having shared above, the road ahead for either Turkey or EU is full of obstacles and compromises. A win-win solution can only be reached with sheer will and cooperation.

I would like to quote David Cameron’s words which were told during his stay in Turkey: a European Union without Turkey is “not stronger but weaker... not more secure but less... not richer but poorer”.14

6. The present economic situation in Turkey and migrants’ effects on it

Turkey is facing tough economic situation with slowing economy, rising inflation,15 decline in exports and customer confidence, plummeting currency and increase in violence.16 The economy is facing pressure from both internal and external factors. The factors vary from Syrian war and refugees’ crisis to Chinese economic slowdown and devaluation of its currency yuan to country’s own political uncertainty, which was triggered due to the collapse of two-year long truce with the Kurdistan Workers’ Party, or PKK this July.17 The end of truce led to increase in internal tensions with attacks in few Turkish cities. Tourism has taken a toll and tourists from Britain and Russia have declined by nearly 30%.18

15 What’s the greatest risk to Turkey’s economy? http://www.al-monitor.com/pulse/originals/2015/08/turkey-economy-political-uncertainties-greatest-risk.html#
Turkey’s currency, the lira continues to decline and record new lows compared to the US dollar. In one year, the currency had declined from nearly 0.4400 US dollar per lira to 0.33 US dollar per lira.\textsuperscript{19} Decline in currency can boost exports of some countries but with war in Syria, exports have declined instead. There was loss of exports worth $6 billion between 2011 and 2014.

In addition to this, crisis in neighboring countries just as in Syria, have contributed to the economic situation. A huge number of refugees – almost 2 million, i.e. half of the dislocated 3.9 million – have entered in Turkey. The economic impact due to this migration could be understood from the report issued by Republican People’s Party (CHP), which states that more than $5.5 billion from the budget of Turkey have been spent on the concerned refugees.

Syrian refugees have also contributed to rise in unemployment and overcrowding of the cities. For example, in Mardin, unemployment rose from 12.3\% in 2011 to 20.6\% in 2013.\textsuperscript{20} While border town Kilis is overcrowded and increasing refugees have led to 100\% jump in rent.\textsuperscript{21} Some refugees are in very dire state and are homeless and have resorted to begging. The rising number of Syrian refugees in public places is also a concern. It’s dampening the tourism industry as tourists shy away from the places.

Despite the negative impact, there are some positives to take from the Syrian refugees in Turkey. Though Syrian refugees have taken unskilled/part time jobs, this has helped increase competition and focus on skill improvement. There is an increase in higher skilled job opportunities, which have thereby increased average wages of the Turkish workforce.\textsuperscript{22}

Furthermore, Turkey should concentrate on being an active player on the scene of international trade and the legal unification.\textsuperscript{23} Thus, the balance of trade could be improved and the economy could be more effective.

7. Special meeting of the European Council, 23 April 2015 – statement

While the over-crowding and influx of Syrian refugees continue, some have started considering EU to seek asylum. In recent months, the number of such refugees has

\textsuperscript{19} \textit{Lira to Dollars Today (TRY USD) and Live Lira Dollar Exchange Rate Converter.} http://www.exchangerates.org.uk/\textit{graphs/TRY-USD-365-day-exchange-rate-history}\textit{-graph-medium.png}


\textsuperscript{21} \textit{Turkey Says Refugee Burden Unsustainable.} http://\textit{www.voanews.com/content/turkey-says-refugee-burder-unsustainable/2856348.html}

\textsuperscript{22} \textit{Much ado about nothing? The economic impact of refugee ‘invasions’.} http://\textit{www.brookings.edu/blogs/future-development/posts/2015/09/16-economic-impact-refugees-cali}

been rising and EU and Turkey have signed a re-admission agreement which means that Turkish nationals would be able to travel to EU freely but in exchange Turkey must accept the migrants deported from EU who transited through Turkey.\textsuperscript{24}

EU itself is struggling with the inflow of migrants and is taking initiatives to prevent loss of life at the sea and help the people in need of protection. The European Union has decided to strengthen its maritime operations and seeks cooperation and support of various nations including African Union, Turkey etc. while it makes effort to fight the traffickers.\textsuperscript{25}

For the migrants seeking asylum, the EU commission has proposed a plan to relocate a total of 160,000 people from Hungary, Italy and Greece the transit countries for migrants. This distribution of migrants is based on objective and quantifiable criteria (40% of the population size, 40% of the GDP, 10% of average number of asylum applications, 10% of the unemployment rate). This plan will benefit asylum seekers from Syria, Iraq and Eritrea. EU has also offered nearly 600 million Euros to Turkey and western Balkan countries for migration activities. In addition to that, EU regional Trust fund will provide 40 million Euros of aid to the 400,000 Syrian refugees and host communities in Lebanon, Turkey, Jordan and Iraq to help in their rehabilitation and development.\textsuperscript{26}

Despite the efforts made by the EU, the region stresses that the countries of origin must address the root cause of violence and underdevelopment and work towards countering corruption, promoting democracy and safeguarding human rights. This would help in greatly reducing the number of people fleeing the country for security or economic concerns.\textsuperscript{27}

8. Future of Turkey

Turkey needs to work towards exports led economy compared to its current domestic demand based economy. Turkey is home for automakers, however, lacks in high tech manufacturing. There is a need to foster research and development for which improvements in education institutions are required.

\textsuperscript{24} Turkey’s New Migration Policy: Control Through Bureaucratization. http://www.syrianef.org/En/2014/10/turkeys-new-migration-policy-control-through-bureaucratization/


The country needs to review its environmental policies, which are damaging to the environment and would cause long-term damage and economic loss.

There is a need to protect rights of not only individuals but also the business owners. Central banks, judiciary, press and industries need to be encouraged and their freedom should be protected. This will let them do their job independently and also boost investor confidences which are wary of the government’s intentions. Removing regulatory hurdles and paperwork would help the businesses. Protecting intellectual rights would encourage high tech companies to invest more in the country.

The outlook of country would surely improve if the government carries out the much needed reforms.

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