

Türkiye: Economic Pincer - Geopolitical Swing. Rapprochement with the West?

Economic difficulties somewhat affect the definition of geopolitical interests

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In recent months, winds of rapprochement with the West have been blowing in Turkish foreign policy. While it remains unclear whether this spring weather will be permanent or not, it is necessary to understand the basic reason well in order to evaluate this rapprochement correctly. The question of how soundly a country struggling with economic difficulties can define geopolitical interests is at the center of all discussions.

In order to make the discussion meaningful, it is useful to first look at the general outlook of the Turkish economy, which has a size of more than 1 trillion dollars. When macroeconomic indicators are examined, first of all, the foreign trade volume, which is more than half of Türkiye's GDP, and the unlimited international capital flows attract attention. This naturally makes the country very open to foreign economic influences. Moreover, there are other data that make this effect more complicated: It is seen that Türkiye had a foreign trade deficit of roughly 105 billion dollars and a current account deficit of 45 billion dollars last year. It is known that this deficit, which has become structural, has been closed through increasing foreign borrowing for years. It should be noted that the short-term external debt stock of the country, whose Central Bank net reserves are in negative, has reached 225 billion dollars by the end of 2023. Moreover, the majority of exports are made to European and North American countries and foreign debts are largely provided by Western financial centers.

On the other hand, it is observed that the Turkish economy has become extremely dollarized internally and has almost become a dual currency. It should be noted that, contrary to trends in the world, there is no effort to reverse this situation, and confidence in the Turkish lira, which has depreciated at a high rate in recent years, has been shaken. It should also be added that inflation has exploded as a result of the harsh interest rate cuts implemented three years ago and the people are in serious economic distress.

Under all these conditions, the concern that the economy is facing an acute balance of payments problem and that a total crisis may occur remains a reality for decision-makers in Ankara. As a matter of fact, it is known that President Erdoğan implemented election economy until he survived the 2023 elections, which are critical for the continuation of power, and changed his economic management team immediately after the elections. Two completely different economic policies were implemented and the economy was handed over to Mehmet Şimşek, who has close relations with Western financial capital centers. However, the dollar, which was suppressed and kept at the 18 band until the elections, rose at a record speed against the Turkish lira after the elections, reaching 30 levels, and the fact that the basic indicators did not improve shows that things are not going well.

With all this, another election cycle is on the agenda this year: The local elections to be held on March 31, 2024, and it is understood that winning Istanbul is very important for Erdoğan. Considering the possible constitutional amendment that may follow, this year is aimed to be 'problem-free' for the government. The connection between the huge economic problems as a result of wrong policies and political priorities of Ankara underlines the expression 'problem-free'. The government seems to have abandoned the key to the economy for the continuation of the political order to the neoliberal economic approach, which is outdated in the world and has proven unsuccessful in Türkiye as well.

This is exactly where political relations with the West come into play for Ankara, which has such a dependent economic relationship with the West and has not done much other than rhetoric to break this dependence. The Government is re-evaluating its foreign policy choice to ensure that any additional problems with the West do not disrupt its 2024 plans. This re-evaluation *package* for now; It includes concessions such as not dealing with Greece in the Aegean, putting the brakes on energy exploration in the Mediterranean, détente with the EU, trying to purchase F-16s from the USA at astronomical prices, and approving Sweden's NATO membership. Beyond these, pressures from the USA that will deeply shake Turkish geopolitics, such as breaking the Montreux Convention, taking sides in hot conflicts, and officially accepting the PYD/PKK presence in Syria, are on the table. Here, it is necessary to remind that no matter how challenging the economic crises are, it will not be easy for Türkiye to give up its basic security concerns.

In this case, the question of how the course will be shaped from now on comes to mind. There seem to be three possibilities: The scope of the *package* will either expand or narrow, or the situation will be 'managed' in this way for a certain period of time instead of permanent preferences. The developments after the March 31 elections will determine which way the needle will shift. Two main dynamics will be decisive in this: The first is the changes in Turkish politics, the second is the outcome of the US elections to be held in November. Depending on the local election results, the cards in domestic politics may be shuffled again and discussions on a new Constitution may flare up. In foreign policy, it can be thought that the 'manage' option will be dominant until November and that no maneuver will be permanent. As a matter of fact, the possibility of Trump being elected will have significant repercussions on Türkiye as well as world politics.

Beyond all this, it should be understood that Türkiye must be economically strong for the independent foreign policy that we advocate in the form of active neutrality between the West and the East. However, Ankara is both wasting its future with wrong economic policies and cannot benefit from the blessings of the multipolar international system enough. This situation, which we describe as 'Economic Pincer-Geopolitical Swing', should no longer be a fate for Türkiye. In any case, it is clear that a troubled period awaits Türkiye after March 31,

in which new exchange rate attacks and political turmoil may occur.

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