

**FUTUREtakes**

Transcultural Futurist Magazine

ISSN 1554-7744

## **Vol. 10, no. 3 (Summer 2011)**

### **Turkey: Key Strategic Uncertainties to 2030**

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Turkey is a country with unique characteristics that have been shaped by a combination of geography, history and religion. It is now emerging as one of the key emerging regional actors, which will help to project its influence in the shaping of a new global order. However, it is by no means certain that this potential will be entirely fulfilled. Without good leadership, without a coordinated effort, without planning and tenacity, the opportunity may be wasted. If Turkey is to seize the opportunity it has today, Turks must rise to the challenges that lie ahead.

An extremely important challenge for the Turkish society is to define a vision of how the country sees itself in the medium term future. In order to be able to synchronize the national efforts in a specific direction, the Turkish government will have to enlist all strata of society around a common vision and a clear plan to deploy the kind of common effort that is needed to make the nation thrive and be competitive. Turkey is currently undergoing social and political reforms that may influence future generations – and which may cause shift from the military to civilian institutions and from Istanbul, Turkey’s westernized economic and intellectual hub, towards the Anatolian hinterland, a more nationalistic and more conservative part of the country.

In defining the “Turkey of the future” a lot of uncertainties need to be clarified. However, two issues appear to be quite important. First, the definition of the core values of society. Turks need to choose whether they wish to be a more and more like a European nation, or whether other religious, cultural or political values are to dominate their national character. The second uncertainty is the way in which Turkey projects itself within its local area and in a globalized world. Turkey will have to clarify whether its destiny is to finally integrate into EU (and view the world through the lens of an EU nation) or to become a regional power on its own. Latest signals seem to indicate that Turkey is rebuilding itself as a regional power, able to leverage its versatility in order to maximize its status in the world. This “soul searching” exercise is already under way. It remains to be seen which vision will gather more support from the Turkish people. If Turkey is to confirm its potential and become an advanced economy and at the same time an influent regional player, some key (and more practical) uncertainties need to be addressed.

The first sets of uncertainties are of an economic nature. Turkey’s economy is growing fast and steady. The Financial Times Stock Exchange (FTSE) Country Classification Annual Review September 2010 promoted Turkey from being a “Secondary Emerging” economy to an “Advanced Emerging” economy.

Rapid growth can be fraught with danger, and one of the main priorities for the government's economic policy is to ensure the stability and sustainability of the high growth rate that has characterized the Turkish economy in the last decade. The authorities give the impression that they are aware of the dangers. The banking system has been overhauled following the crisis in 2000-2001, there were a number of infrastructure projects started (particularly the construction of highways), corruption has been tackled, and so on. Ensuring energy security is already an important concern for Turkey. Turkey is highly dependent on external energy resources; it has become one of the fastest growing energy markets in the world. As the country lacks proven oil and gas reserves, Turkey will be more and more dependent on imports in order to satisfy its growing energy needs in the short and medium term. Further efforts are needed in a number of areas including increasing the transparency and legal certainty of the judicial system, the simplification and stabilization of the tax system, the high energy costs, and the lack of working capital, especially for small and medium enterprises (SMEs).

The economy also needs a little bit more balance. Presently, it is geared towards the production of cheap goods in labour intensive industries such as textiles, car manufacturing, and shipbuilding. This was an effective way of growing the economy in the past. However, Turkey cannot move forward in the global economy without developing local high tech industries. As the economic base moves towards the "knowledge economy," countries that rely on cheap labour as their key advantage will not be the winners in the economy of the future. Although there are some truly exceptional Turkish experts in various fields, the reality is that the country still lacks the "critical mass" of qualified and skillful technicians and engineers that would make possible the transition towards high tech industries.

From a human resources point of view, the key challenge for Turkey is to train and educate the population, to develop a critical mass of a highly skilled workforce. Demographic projections show that by 2020 about 70% of the population (estimated at more than 85 million) will be of working age. This is both an opportunity and a threat. If Turkey manages to develop this workforce through adequate investment in education and training, Turkey will benefit both economically and socially. But if this opportunity is missed, the country will lose its competitiveness and it will find itself under social pressure from its increasing population, a situation with an extremely disruptive potential.

A second set of uncertainties concern the social composition of Turkey. As explained above, demography may provide Turkey an advantage compared with the Western nations, but at the same time a number of issues will have to be addressed. Many Turks still do not have real access to the kind of education that would turn them into a skilled workforce and model citizens for the society of tomorrow. The authorities have made efforts in this direction, but the results have yet to be seen. Progress has been achieved in reforming vocational and technical education. Despite some advances, the higher education system suffers from a lack of academic, administrative and financial autonomy, which prevents it from performing better. The area that faces the greatest challenge is lifelong learning. A modern economy demands that the workforce continuously upskills through continuous education. Turkey will have to allocate more resources and attention to lifelong learning, which for the moment is at a very a low level.

The maturity of a new generation that grew up with the Internet and instant messaging will bring with it a different challenge. This generation will be influenced by non-Turkish cultural models. Tradition is still stronger in Turkey than in the West, and the influence of the elders is still important. But in view of the considerable progress that Turkey has enjoyed in the last 15-20 years, the gap in between the generations may be quite significant. The new generation may have more tolerance to risk and be a little bit more individualistic (as family size decreases and single-generational families become more common). It is difficult to predict the future values of the new generation and how they will interact with the elder part of the society. Too wide a gap may cause some tensions in society exactly when social cohesion could be a key to maintaining the country's competitiveness.

The third set of uncertainties relate to the relationships between Turkey and other countries. The main uncertainty is the relationship with the EU. Under present circumstances, it is unlikely that Turkey will be accepted in the EU within the next 15 years. There are many reasons for this, from the reluctance of some European states (e.g. France and Germany) to the dilemma regarding the Christian cultural heritage of Europe and the size of Turkey within the EU. To complicate matters further, the financial crisis has unearthed some problems concerning the way in which the EU functions and the complexity of relationships between its present members. The economic issues will dominate the EU agenda for some years to come, and it is becoming clear that the matter of accepting new members will not be a priority for Europeans for quite a while.

But it is not only Europe that seems less inclined towards the membership of Turkey to the EU. Turkey is also re-evaluating its position towards the EU. There was a strong desire to be accepted in the EU, but the slow pace of progress and the perception of the EU being arrogant and unfair in its relationships with Turkey has made some Turks less enthusiastic about membership. Turks have started to realize that Turkey is on its way of becoming a significant economic actor on its own, and contemplating the economic troubles experienced by the Eurozone has made them wary of EU membership. It is felt that Turkey has good prospects on its own – without formally joining the EU, without being forced to trade its independence, and without having to bear further economic and cultural costs.

Turkey may become a new regional power with a certain degree of global influence. External policy is heading in this direction, even if EU membership will not necessarily be abandoned. Turkey's foreign policy is now being directed by Ahmet Davutoglu, who is charged with the mission of finding Turkey's role in the world in the 21st century. Turkey is expected to project its influence through the use of "soft power" throughout the Middle East, the Black Sea, and in the Turkic republics of Central Asia. The first steps in this new foreign policy are Turkey's free-trade pacts with Egypt, Israel, Morocco and Tunisia. A similar arrangement with the six-member Gulf Co-operation Council is in the pipeline.

At the same time Turkey appears to have understood its own interest of promoting harmonious relationships with its neighbours and neighbouring regions. In view of the growing interdependency in a global world, troubles at its borders will surely impact its own development if not even its internal security. Turkey established high-level strategic council meetings with Iraq, Syria, Greece, and Russia, including joint cabinet meetings where bilateral political, economic, and security issues are discussed in detail. There are also preparations to establish similar mechanisms with Bulgaria, Azerbaijan, and Ukraine as well as other neighboring countries. Turkey's trade with its neighbors and nearby regions has substantially increased in recent years.

All these indicate a bold but well calculated policy, which is based upon a "visionary" approach rather than a "crisis-oriented" approach; the development of Turkish foreign policy in a consistent and systematic framework; and a new discursive and diplomatic style that has resulted in the spread of Turkish "soft power" in the region. Although Turkey maintains a powerful military due to its insecure neighborhood, Turkish diplomats and politicians have adopted a new language in regional and international politics that prioritizes Turkey's civil-economic power. Despite all these sophisticated plans and recent achievements, few things are more delicate than a country's foreign policy. There are certainly obstacles or even dangers lying ahead and Turkey will have to make careful choices in order not to jeopardize its plans and newly acquired status. The challenge for Turkey's future foreign policy is to maintain the delicate balance in between its old Western allies and its new vocation (and new friends) in a more and more multi-polar world.

If successful, Turkey may become the regional point of reference, securing its neighbourhood and its energy needs, and also contributing to the de-escalating of the tension in the very sensitive area of Middle East. This will underpin the continued growth and development of the Turkish economy and will help to

modernize Turkish society. If the Turkey of 2030 is to achieve its full potential, then it needs to achieve a positive result for each of the three sets of key uncertainties.

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