

Turkish Wirtschaftswunder

Welcome to the new Turkey: a strong economy and a strong foreign policy, at least until 2020

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Turkey's sustained economic growth since 2002 has cast Ankara as the dominant power in its neighborhood.

In the 1950s, Germany experienced a decade of sustained economic growth known as *Wirtschaftswunder* (economic miracle), which transformed the country into a major European power. Since 2002, Turkey has been experiencing its own decade-long *Wirtschaftswunder*, casting Ankara as the dominant power in its neighborhood.

Turkey's new foreign policy is as much rooted in the Turkish *Wirtschaftswunder* as it is in the country's transformation under the Justice and Development Party (AKP) beginning in 2002. Furthermore, in a near-perfect alignment of the stars, Turkey's demographic situation and its political stability both suggest that the Turkish *Wirtschaftswunder* could continue until at least 2020, feeding into Ankara's claim to regional power.

Since 2002, the Turkish economy has more than doubled in size, reaching a magnitude of \$1.1 trillion. Already the largest Middle Eastern economy, Turkey could rival Spain and Italy as the largest economy in the Mediterranean.

One key factor explaining this growth is the "demographic window": a unique opportunity that every country faces once in its history.

After a country undergoes a population boom, its young population eventually matures to the point that the majority of the populace falls within the 15-64 age group. This phenomenon, known as the "demographic window," drives creativity and dynamism. Provided that there is good governance, it also delivers miraculous economic growth.

Countries such as South Korea have recently experienced this "demographic window" and benefited from its accompanying economic growth at dizzying rates.

Now, it is Turkey's turn. Projections by the Turkish Industrialists' and Businessmen's Association (TUSIAD) suggest

that Turkey is only about halfway through its demographic window, with the majority of its population likely to remain in the productive 15-64 age category until 2020. Hence, the Turkish Wirtschaftswunder of 2002-2020.

Of course, the demographic window alone cannot account for the 6-8 percent annual economic growth that Turkey has witnessed over the last decade. Good governance is the key.

For starters, when the Turkish economy collapsed in 2000-2001 during Turkey's worst economic crisis in modern history, seasoned economists, led by Kemal Dervis Minister of State for Economic Affairs at that time, cleaned up corruption in the financial sector; [this] is one example of good governance. As a result, Turkey's banks were sufficiently solid to weather the financial meltdown that washed across the globe in 2008 like a tsunami. The sound economic policies and good governance of the AKP have also helped in this respect. In fact, these two factors may have bridged the gap between Turkey's demographic window and its Wirtschaftswunder.

Then there is the fact that the Turkish political system produces stability when dominated by a single-party government. In contrast, the country experiences political and economic spasms when ruled by a coalition government. This is because, like some other states, Turkish society tends to eschew a horizontal stratification of labor (a must for successful coalition governments) in favor of a hierarchical division that encourages single-party governments.

Historically, Turkey has always faced political and economic meltdown during periods of coalition government rule, as was the case in the 1970s and the 1990s. This correlation is especially evident when contrasted with the decades of political stability and economic growth in the 1950s, 1990s, and the AKP period of single-party governance.

Finally, Turkey's reorientation of its foreign policy in the last decade away from Europe and toward the Middle East has helped, by allowing the country to weather the fallout from fluctuations in developed economies since 2008. Just as its foreign policy has turned toward the Middle East, so has Turkey's trade. Before the AKP came to power, 53 percent of Turkey's trade was with Europe. Today, that figure is down to 42 percent. In comparison, its trade with the Middle East and North Africa has increased from 13 percent in 2002 to 26 percent today and rising.

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Soner Cagaptay is director of the Turkish Research Program at The Washington Institute. ❖

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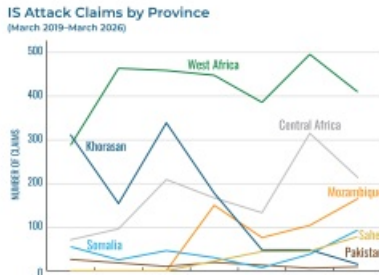
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