

ANCHORS AWEIGH: A SURVEY OF TURKEY

The Economist
October 23, 2010

Turkey has made astonishing progress in the past decade, says John Peet. But how will it fare if the IMF and the EU are not there to keep it on the straight and narrow?

IT CAN take decades to change the image of a country. Yet Turkey has managed the trick in less than one. Ten years ago it was a basket-case. Its economy was both sclerotic and erratic, its banks were bust, and inflation was dizzyingly high. It was forever calling in the International Monetary Fund for help (Turkey has run up some 18 IMF programmes, a near-record). Politics was also worryingly unstable. Even though the country was an established democracy, a string of weak and short-lived coalition



governments alternated with the occasional coup staged by a powerful army.

As a member of NATO that was for many years on the front-line of the cold war, Turkey was at least a reliable ally of the West. But its regional influence in 2000

was almost as feeble as its economy. The Turks insisted that they wanted to join the European Union, but they had made almost no progress. Just over a decade ago they were humiliatingly overtaken in the race to be EU candidates by the ex-communist countries of eastern Europe.

Yet ten years on Turkey stands transformed. The economy suffered badly in the global recession of 2009, but over the previous five years it had been unusually vigorous, and it has bounced back so quickly that this year it is likely to grow faster than those of almost all other European countries. Turkey has largely escaped the Mediterranean sickness that has taken hold in Greece, Spain, Portugal and even Italy. It is on the verge of acquiring an investment-grade credit rating, inflation is in single figures and the government has been able to dump the IMF. The political situation has also greatly improved. After nearly eight years of single-party rule by Recep Tayyip Erdogan's Justice and Development (AK) party, the army has been largely tamed. With exquisite timing, Mr Erdogan won a referendum on constitutional changes to increase his control of the army and judiciary on September 12th, the anniversary of a 1980 military coup. The AK government has

pushed through an impressive array of political and economic reforms. One reward was the formal opening in October 2005 of negotiations for EU membership.

Pillar of the international community

These changes have not gone unnoticed. Turkey is now a vocal member of the G20 club of important economies. It held a temporary seat on the United Nations Security Council in 2009-10. It is knocking on the door of the BRICs club of emerging giants. Some forecasts suggest that during the next decade it will grow faster than any country bar India and China. Others predict it could become the world's tenth-biggest economy by 2050.

That is partly because of Turkey's favourable demographic outlook. The average age of its 72m people is only 29, against over 40 in the EU. By 2050 its population will have risen to almost 100m. If by then Turkey has managed to get into the EU, it will be its most populous member, far ahead of Germany, which will have a mere 70m people.

But there is more to Turkey than a flourishing economy and a young population. Whereas ten years ago it seemed a peripheral country, now it has become a pivotal one. Its geographical position, wedged between the European landmass, Russia and the Middle East, has given it a new strategic importance, especially in the energy-pipeline business. And its newly assertive foreign policy is making it count not just in neighbouring countries but as far afield as China and Africa.



Turkey has an especially significant place in the Muslim world. Thanks to the legacy of Atatürk, it is a rare example among Muslim countries of a functioning secular democracy. Compared with much of the Arab world, it has been hugely successful in economic, diplomatic and military terms. A Turk currently serves as secretary-general of the Organisation of the Islamic Conference. And since his country's diplomatic spat with Israel earlier this year Mr Erdogan has become a hero to the Arab street. Many Arabs compare him favourably with their own gerontocratic (and undemocratic) rulers.

Trouble spots

In short, Turkey matters today in a way that few would have thought possible a decade ago. Indeed, in some ways it counts for more than when the Ottoman empire was crumbling a century ago and Turkey was widely known as the "sick man of Europe". And yet there are persistent blemishes on its seemingly bright prospects.

One is the Kurdish question, of which more later. As it happens, the AK government has done more than almost any of its predecessors to give a better deal to Turkey's Kurds, who make up 14% of the population, most of them living in the country's poor south-east. But Kurdish PKK guerrillas stepped up their terrorist campaign earlier this year and the precarious ceasefire that is now in force may not last.

A second is that the economy, for all its recent strength, is still a work in progress. Inflation is not wholly defeated, the current-account deficit is large and Turkey's competitiveness in manufacturing is a matter for concern. Worst of all, unemployment is distressingly high, especially in the east and south-east and among women and the young. These failings will be analysed in more detail in the next section of this report.

A rapidly growing country inevitably has social problems to contend with as well. On the UN Development Programme's human-development index, a general measure of wellbeing, Turkey comes below Russia, Albania and Romania. Despite some excellent universities and hospitals, the quality of education and health care is patchy and uneven. Moreover, corruption is a huge problem. The corruption rankings of Transparency International, a Berlin-based lobby group, put Turkey behind South Africa and on a par with Cuba.

And then there is Turkish politics. The AK government has done well since it took office in 2002. The party dislikes labels, yet the term "mildly Islamist" suits it, as does "conservative". Mr Erdogan himself likens AK to a European Christian Democratic party. There is no longer a serious danger of a military coup. But despite his victory in September's referendum, Mr Erdogan faces a tricky election next summer. His authoritarian streak has attracted much criticism, and the main opposition party has begun to revitalise itself under a new leader. The AK party may yet win another majority, but there is also a chance that it will fall short and Turkey could find itself with a coalition government for the first time since 2002.

Turkey's experience of the past few decades suggests that the country needs firm external anchors to stop it drifting into dangerous waters. It has depended on two in particular. The first is the IMF: whenever the economy has veered off course, the IMF has been called in to drag it back. The most dramatic instance came after the crisis of 2001, when Kemal Dervis took over as finance minister and, with the help of the IMF, devised the fiscal and monetary framework that was largely responsible for the country's subsequent success.

The second and even weightier anchor has been the lure of EU membership. Whereas the IMF has steered only Turkey's macroeconomic policy, the EU has been the catalyst for an entire programme of social and economic reforms. Even before membership talks began in October 2005, the EU was able to persuade Turkey to adopt a wide-ranging liberal, free-market and democratic agenda.

The problem with both anchors is that over the past five years their pull has got much weaker. A healthier economy and stronger public finances have enabled Turkey to jettison its IMF programme (though some ministers tried to keep it). In the run-up to a possibly tight election next year, this may make it easy for the government to offer irresponsible fiscal inducements that could jeopardise the long-term health of the public finances.

Even more disturbing is the loss of EU influence. Few people, either in Brussels or in Ankara, any longer believe that Turkish membership will come about in the foreseeable future. The negotiations have progressed agonisingly slowly. Over half the chapters in the accession talks are now blocked, many because of an unresolved dispute over Cyprus. Political leaders as well as voters in France, Germany, Austria and the Netherlands have made it clear that they do not want Turkey in the EU.

So it is not surprising that many Turks consider that the EU anchor has lost its purchase. The country's political leaders these days speak less and less about their EU aspirations. Why should Turkey implement difficult reforms to meet European standards, some ask plaintively, if EU membership will not be forthcoming in return? Indeed, why continue on the path of free-market liberal democracy at all?

That is the kernel of Turkey's difficulties today. So long as it could rely on the IMF's tutelage and had a real hope of EU membership, its course was fixed. But with the IMF gone and the EU receding over the horizon, Turkey needs new anchors. The best place to start looking is the economy—for without continuing economic success, not much else will go right.

The economy has had a big boost from much sounder management

CONTRARY to popular belief, countries do learn from financial crises. After a wretched 1990s Turkey suffered an economic meltdown in 2000-01. GDP shrank by almost 6%,

the lira collapsed, most of the banks had to be rescued and the IMF was called in (again). Since the cost of rescuing the banks amounted to almost one-third of GDP, the public debt shot up from around 38% to 74% of national income. The experience was painful, but at least it left Turkey better prepared than other countries when the next crisis struck seven years later.

That was largely thanks to Mr Dervis, a World Bank economist who became Turkey's finance minister in March 2001. Besides rescuing the banks, he devised a new framework for Turkish monetary and fiscal policy. When the AK party came to power in November 2002, much of the hard work of repairing Turkey's battered economy had already been done. Sensibly enough, the new finance minister, Ali Babacan, continued with these policies.



The results have been spectacular. In the 1990s Turkey's GDP grew by an annual average of just 4%. In 2002-08 that rose to an average of about 6% before the recession hit in 2009 (see chart 1). Inflation, running at an average of 75% a year in the 1990s, is down to 9% today. The public debt is back below 50% of GDP. The banks have been transformed. Suzan Sabanci Dincer, chairman of the biggest, Akbank, notes that tough regulation after the 2000-01 crisis lifted the capital ratio to a dizzying 19% and pushed down the loan-leverage ratio to below the EU's or America's. The number of banks has fallen from 79 to 49. When

the OECD published a report on the Turkish economy in September, its secretary-general, Ángel Gurría, said that Turkey would be the organisation's fastest-growing member this year and likened its performance to that of the emerging-market BRICs. Some economists suggest that over the next seven years Turkey's growth will match or exceed that of any other big country except China and India.

The markets have taken note of Turkey's rapid growth and prudent economic and financial management. When the latest crisis hit Europe, credit-default swap spreads rose sharply for countries such as Greece, Hungary, Portugal and Spain, yet they barely budged for Turkey. Indeed, this summer Turkey was able to boast a CDS spread below that of Italy, a G7 economy (see chart 2). Turkey is now on the verge of achieving an investment-grade rating for the first time. Foreign investors have begun to see it as a good thing. In the 1990s foreign direct investment was running at less than \$1 billion a year, but ten years later, before the crisis briefly sent it back down again, it was closer to \$20 billion.

Anatolian tigers

Turkish entrepreneurs have responded splendidly to the new opportunities created by a stronger economy. Curiously for a place that has such industrious people, Turkey does not have an especially good record in business. In Ottoman times the Armenians, Greeks and Jews were responsible for most of the country's commerce. Proud Turks either

served in the army or farmed. But that has changed.



These days Turkish firms are leading lights in many manufacturing industries, notably in construction, furniture, textiles, food-processing and carmaking. Unlike finance, which has largely stayed in Istanbul, such businesses have tended to develop most in fast-growing Anatolian cities such as Bursa, Kayseri and Konya. Their bosses help to form a backbone of support for the AK party.

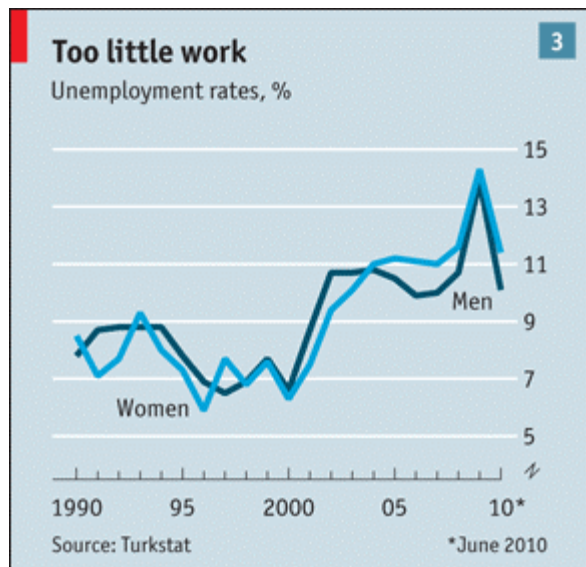
Umit Boyner, head of TUSIAD, the Turkish employers' federation, stresses the country's strong financial sector and

its big exporters of textiles, cars and in agribusiness. John McCarthy at ING, a Dutch bank, suggests that foreign investment has made all of Turkish business more competitive. Turkey is now the world's biggest cement exporter and second-biggest jewellery exporter. Its construction order book is surpassed only by China's. It is Europe's leading maker of televisions and DVD players and its third-biggest maker of motor vehicles. English-speakers may laugh at firms with names such as Koc and Arcelik, but Turkish multinationals like Enka construction, Turkcell, Calik Holding and, yes, Koc are growing fast. So is Turkish Airlines. Find a building site anywhere in the former Soviet Union or across the Middle East, and you will find Turkish suppliers and companies—and Turkish workers, too.

Yet not everything is blooming in Turkey's economic garden. The dumping of the IMF programme in 2009 left fiscal policy adrift. Mehmet Simsek, the finance minister, wanted to retain the IMF at the time, but Mr Babacan, who is now deputy prime minister, points out that none of Turkey's previous IMF programmes was ever completed (even Mr Dervis's was interrupted by the 2002 election). He suggests that it is better for Turkey to be directly responsible for its own fiscal strategy. Mr Simsek has drawn up medium-term fiscal rules that aim to bring the budget deficit back below 3% of GDP within the next two years, but the finance ministry has delayed their implementation until some time next year—after the election.

Turkey suffers from two other bugbears: inflation and a large current-account deficit. Mr Simsek claims that today's 9% inflation rate is in large part due to temporary factors that will fall away next year. The current-account deficit is more worrying because it suggests that competitiveness is steadily eroding. Mr Simsek acknowledges a shortfall in domestic savings that will be hard to correct. But on Turkey's bond rating he remains bullish: "Turkey is the largest convergence story in this time-zone, and maybe in the world."

Even so the government needs to get more serious about deregulation and structural reform. As the OECD report says, "higher employment and productivity growth will not be possible without profound regulatory reform." In 2010 Turkey came 73rd out of 183 countries in the World Bank's annual "ease of doing business" rankings. Within the



OECD, it comes last or second-last for restrictive product-market regulation, excessive state control and barriers to entrepreneurship.

All this shows up in perhaps Turkey's most serious economic problem: chronic unemployment (see chart 3). Mr Babacan talks up the creation of 1.5m new jobs in the shadow of the world recession during 2009-10. Unemployment has fallen sharply this year, but it still stands above 10%, and among the young, the unskilled and in the east it is much higher. Women are vastly underused: among those of working age only 26% are in employment,

down from 34% in the late 1980s, leaving a large gap between male and female employment rates. This cannot be entirely explained by cultural factors in a mainly Muslim country. After all, Turkey has quite a few women in senior positions in business—such as TUSIAD's Ms Boyner.

Polls show that unemployment is a big worry for Turks. A Eurobarometer poll in October 2009 found 63% saying it was the most important issue facing the country. Mr Babacan and Mr Simsek have responded with a new employment strategy. But the labour market is too rigid: minimum wages are too high and do not allow enough regional variation, and temporary labour contracts are discouraged. One consequence is a large black economy, which also keeps the tax take low.

Cheap isn't cheerful

Further ahead loom potentially troubling structural weaknesses. Much of Turkey's recent success has rested on relatively low labour costs, compared with a higher-cost European market. Yet as the country has already found with textiles, there is almost always another

source that can offer even lower labour costs. China and India have become big threats to much of Turkey's low-skilled industry.

Both government and industry recognise that the best way forward is to move upmarket. Strenuous efforts have been made to improve schools and universities and promote high technology. The results are already in evidence. In 1990 only 15% of Turkey's exports were in medium- or high-tech sectors, according to Fatma Melek, chief economist at Akbank. Today, the figure is almost 40%. Yet Turkey spends only 0.7% of its GDP on research and development, compared with an OECD average of 2.3%. And with almost a quarter of the workforce in agriculture, overall productivity remains low.

Another challenge is to find fresh markets. Traditionally Turkey has relied mainly on the West, especially Germany and the rest of Europe. But although the EU is still Turkey's biggest market by far, its share is falling. In 2002 it took 56% of Turkish exports; this year the figure will drop below 50%. At the same time the share of exports going to the Middle East has doubled, from 9% to 18%. Exports to Iran and Syria together are now worth more than exports to the United States.

The importance of this shift goes far beyond the economic gains of access to more diversified markets. As Turkish businessmen fan out across the Middle East and renew contacts in the old Turkic world (which stretches from Turkey through Azerbaijan, Turkmenistan and as far as Xinjiang in China), they are helping to underpin a stronger presence in a region that Turkey largely ignored for many years. That reflects a significant shift in Turkish foreign policy—one with which some in the West are far from comfortable.

The Davutoglu effect: All change for foreign policy

TURKISH foreign policy used to be simple. Ever since Ataturk dragged the country into the modern world by driving out the sultan, adopting the Latin alphabet and abolishing the Muslim caliphate, the country has leant westwards. Since the second world war that has meant joining NATO (in 1952), backing the West against the Soviet Union and aspiring to join the European project. Like America, Turkey was also consistently pro-Israel.

It largely ignored the rest of its region, which includes most of the countries that were once part of the Ottoman empire. In his book "The New Turkish Republic", Graham Fuller, a former CIA analyst and academic, recalls telling a Turkish friend that he was a Middle East expert, only to be asked, "so why are you in Turkey?" In similar vein, Turkish diplomats would tell their Western friends that "we live in a bad neighbourhood" and that "the Turk's only friend is another Turk."

Over the past few years all this has changed. Rather than feeling sorry for itself over its rough surroundings and lack of friends, Turkey has a new policy of "zero problems with the neighbours". It is no longer carping at Armenia over its allegations of genocide in

1915 or reproaching the Arab world for its British-supported “stab in the back” in 1917-18. Instead it is cultivating new friendships in the region, offering trade, aid and visa-free travel. And far from backing Israel militarily and diplomatically, Turkey has become a leading critic.

The man largely responsible for engineering this dramatic shift is Ahmet Davutoglu, Turkey’s foreign minister since 2009. Before that he was an international-relations adviser to Mr Erdogan. In 2001, before the AK government came to power, Mr Davutoglu published a book, “Strategic Depth”, that set out a new policy of engagement with the region. He rejects accusations that he is “neo-Ottoman”, yet his doctrine certainly involves rebuilding ties round the former Ottoman empire.

Mr Davutoglu is an engaging, bookish character with a formidable knowledge of history. He thinks that Turkey made a mistake by ignoring its backyard for so long, and he is convinced that its new strategy of asserting its interests, both in the region and in the world, makes his country more, not less, attractive to the West. Nothing infuriates him more than articles in Western publications suggesting that Turkey has tilted east, or even claiming that “we have lost Turkey.” “Who is we?” he asks. After all, Turkey maintains NATO’s biggest army after America’s; it is committed in Afghanistan and other trouble spots; and it is negotiating to join the EU. As Mr Davutoglu puts it, “Turkey is not an issue; it is an actor.” His country now matters more than ever to Europe and the West, he claims.

Certainly Mr Davutoglu’s new policy in the region is paying dividends. In Iraq, for instance, Turkey has strong commercial and diplomatic interests. At one time the Kurdish region of northern Iraq was a big headache, but now Turkey is playing a lead role in stabilising the place—and winning co-operation from both the region and Baghdad against the PKK. Its relations with Syria, for many years a problem country for the West, are flourishing as never before. It has even sought to forge closer diplomatic ties with the still more problematic Islamic republic of Iran, much to America’s annoyance.

Turkey is also active again in its old stamping-ground in the Balkans, especially in Bosnia and Kosovo. Greek-Turkish relations, which improved markedly even before the AK party came to power in 2002, remain broadly harmonious, although Cyprus is still a point of friction. The country is also paying more attention to Africa; it has opened or is planning to open 12 new embassies there.

The Turks have even made a partial attempt at reconciliation with Armenia, a process begun when President Abdullah Gul visited Yerevan in late 2008 to attend a football match. After the visit the two sides signed bilateral protocols to normalise relations and reopen the land border, closed during Armenia’s war with Azerbaijan over Nagorno-Karabakh in the early 1990s. But thanks mainly to Mr Erdogan’s insistence on linking the protocols to progress on the Nagorno-Karabakh dispute, the protocols have yet to be ratified.

Turkey has also made the most of being an energy corridor between east and west. As a substantial energy importer with a fast-growing commercial relationship with Russia, it has a direct interest in the matter. But a decade of confrontation over oil and, especially, gas between Russia and the West has taught all sides to value Turkey as a buffer. Oil and gas pipelines already snake across Turkey from Azerbaijan via Georgia. And the Turks have signed up to the ambitious Nabucco gas-pipeline project, intended to bypass Russia—though plenty of Russians ask where the gas for Nabucco will come from. Energy diplomacy often comes to naught, but it will be hard to ignore Turkey in any future deals.

Mr Babacan, the deputy prime minister, says it is right for Turkey to have a sense of global responsibility. He and Mr Davutoglu also like to tell their European counterparts that, by playing a more active role in its region, including in the Balkans, Turkey is demonstrating how valuable it would be as a member of the EU.

Yet Mr Davutoglu and Mr Babacan are being somewhat disingenuous. Certainly Turkey's influence in its region allows it to lay claim to being an interesting and potentially useful partner. But as it has also found, the Middle East is such a complex place that its policy of zero problems with the neighbours cannot be sustained all of the time. Nor is it easy to maintain a friendly dialogue both with the West and with the West's enemies.

Freelance diplomacy

Iran is a prime example. Since it is a neighbour, a big oil and gas producer and an increasingly significant trade partner, the Turks have strong reasons to seek better relations with it. That is one reason why, along with the Brazilians, the Turks tried their own freelance nuclear diplomacy with Iran earlier this year. It is also why they are naturally averse to tougher trade sanctions against Iran, let alone any suggestion of war.

Yet Iranian nuclear diplomacy is both delicate and fiendishly complicated. The Turkish-Brazilian plan, when it emerged, seemed softer on Iran than any put forward by Western negotiators. When, soon afterwards, a resolution to tighten sanctions came before the UN Security Council in June, Turkey decided to vote against it to keep its dialogue with Iran going (though Mr Davutoglu claims to have used his diplomatic influence to persuade Lebanon to abstain and Bosnia to vote in favour). Not surprisingly, the Americans were furious.

Israel is an even better illustration of the problems inherent in Turkey's new foreign policy. In May a Turkish-led civilian flotilla led by the *Mavi Marmara* attempted to break the Israeli blockade of Gaza. Gaza has been an especially sore point in Turkey ever since Israel's invasion in January 2009—not least because the Turks were deep into shuttle diplomacy to open peace talks between Syria and Israel just when the attack on Gaza began. Shortly afterwards Mr Erdogan walked off a platform he was sharing with the

Israeli president, Shimon Peres, at the World Economic Forum in Davos, shouting that Israel certainly knew how to kill people.

When the Israeli army intercepted the Turkish flotilla in international waters, its soldiers were surprised to be physically attacked on the *Mavi Marmara*. They retaliated by opening fire, killing eight Turkish citizens and one man who held joint Turkish and American citizenship. The Turks were outraged. Mr Davutoglu says this is the first time in the history of Ataturk's republic that unarmed civilians have been killed by the armed forces of another country. Mr Erdogan and Mr Davutoglu demanded a UN-led inquiry and an Israeli apology. In September the UN human-rights council duly criticised Israel, but the Israelis rejected its findings and have refused to apologise. Mr Davutoglu insists that relations with Israel can never be the same again.

Yet this will come at a cost. The Israelis are not popular with many people these days, but they still have friends in Washington, DC. By making Gaza a centrepiece of its foreign policy and even more by openly sympathising with Hamas, which runs Gaza, Turkey has gained new friends in the Arab world but alienated allies in the West. Indeed, it was the *Mavi Marmara* incident and the Turkish response to it that led to an outpouring of comments that the West was losing Turkey. There could be more serious consequences. For instance, America's Congress is now more likely to adopt a resolution condemning the Armenian genocide of 1915 which is put forward every year but which the Turks have so far managed to prevent going through.

The mercurial Mr Erdogan does not make it any easier for Turkey to conduct a coherent foreign policy, as demonstrated by the Davos incident and by his torpedoing of the Armenian deal. In 2004-05 he twice came close to jeopardising Turkey's chances of opening membership negotiations with the EU. Semih Idiz, a journalist with *Milliyet* newspaper, jokes of Turkish foreign policy: "Davutoglu makes, Erdogan breaks and Gul picks up the pieces."

Turkish public opinion adds another layer of complication. Ordinary Turks now have a strikingly low opinion of America. In 2000, according to the Pew Global Attitudes Project, some 52% of Turks thought well of America, a smaller share than in Germany and Britain but about the same as in Spain. The Iraq war changed this, especially after the Turkish parliament voted in March 2003 not to let the Americans move troops across Turkey for a possible second front. By 2007, thanks mainly to the war, less than 10% of Turks had a favourable opinion of America. That figure has ticked up since Barack Obama became president, but it is still lower than in the rest of Europe. A recent survey by the German Marshall Fund found that approval ratings for Mr Obama too have fallen sharply, from 50% in 2009 to 28% this year.

In Europe, Turkey's new foreign policy has often gone down no better than in America. Mr Davutoglu and his colleagues argue that Turkey's diplomatic ventures in its region and elsewhere, like its crucial role in energy and its military prowess, underline how useful Turkey could be as a member of the EU. But that is not how opponents of Turkish membership see it.

Those opponents were cheered both by Turkey's bungling in Iran and by the *Mavi Marmara* incident. In their view, these events prove that Turkey is too ready to wander off the West's reservation and pander to Islamist extremists—and not at all ready for solidarity with the EU's common foreign policy. The EU, they argue, cannot accommodate an aspiring global player with interests so different from Europe's, especially one so big. That argument has grown more resonant as Turkey's membership negotiations have stalled.

A fading European dream: Will Turkey ever join the EU?

TURKEY'S involvement with the European project has a long and chequered history. The country expressed interest in a link with the original six-strong European Economic Community as far back as 1959, the first non-member to do so. In 1963 it signed an association agreement with the EEC. Walter Hallstein, a German Christian Democrat who was the first president of the European Commission, hailed this as explicit



Erdogan in search of ever closer union

recognition that “Turkey is a part of Europe.” Sadly that view is not shared by many in his party today. The Turks did not formally seek membership until 1987, when the ebullient Turgut Ozal, a modernising prime minister and European enthusiast, submitted an application even though he had been warned off doing so. The European Commission

advised against it in 1989. Turkey's dreadful 1990s put paid to any idea of reviving it quickly. Instead a later prime minister, Tansu Ciller, negotiated a customs union with the EU that took effect in 1996, securing unfettered access to the European single market for the first time.

By then the newly liberated countries of eastern Europe were also queuing up to join. At an EU summit in December 1997 European leaders decided to invite no fewer than ten countries from eastern Europe, plus Cyprus and Malta, to open membership negotiations. Turkey was left out. Turkish generals started to mutter that they might have done better in Brussels if they had joined the Warsaw Pact, not NATO. European leaders made amends two years later by declaring that “Turkey is a candidate state destined to join the union on the basis of the same criteria as applied to other candidate states.” When the AK government took power in 2002 it proclaimed its goal of EU accession, just as its predecessor had done. And it passed enough reforms to persuade EU leaders unanimously to agree to begin membership talks in October 2005.

Keep your promises

Sadly, despite diplomats' doctrine of *pacta sunt servanda* (treaties and promises should be kept), that has proved the high point of Turkey's European dream. In Germany the Christian Democrat Angela Merkel was about to replace the Social Democrat Gerhard Schröder as chancellor. Less than two years later Nicolas Sarkozy took over from Jacques Chirac as French president. Mrs Merkel has long opposed Turkish EU membership, advocating a "privileged partnership" instead. Mr Sarkozy has consistently opposed Turkish entry on principle. Public opinion in Austria, the Netherlands and some other countries has become more hostile.

Three things have made matters worse for Turkey's EU aspirations. The first is Cyprus, which joined the EU along with the east Europeans in May 2004. As a prelude, the then UN secretary-general, Kofi Annan, tried one last time to reach a deal on unifying the divided island. But although the Turkish-Cypriots overwhelmingly said yes to the deal in a referendum, the Greek-Cypriots even more overwhelmingly said no. As a consequence the (Greek-Cypriot) republic joined the EU as the legitimate government with the *acquis communautaire* of EU legislation, suspended for the (Turkish-Cypriot) north. Cyprus is now the biggest single obstacle to Turkey's EU hopes.

The second problem has been domestic political upheaval as the secular establishment and military top brass have battled against the AK government. A series of coup threats, conspiracies and constitutional court cases have created the impression of a country in political turmoil, helping to stoke European opposition to Turkish membership.

Third was the economic crisis that began in 2008 and hit Europe especially hard in 2009. Recession and rising unemployment have put paid to most thoughts of further EU enlargement. As it is, the deteriorating economy, the recent troubles of the euro zone and a backlash against immigration from the east have all lent force to widespread complaints that the central and eastern European countries were let into the EU too early.

Chapters of accidents

Turkey's membership negotiations have all but ground to a halt. Of the 35 "chapters" into which the talks are divided, as many as 18 are blocked by the EU as a whole, by Cyprus or by France. They include areas where Turkey might be expected to have a lot to offer, such as external relations and energy. Only one chapter, on science, has been closed. So far this year just one new chapter, on food-safety standards, has been opened. Next year it may prove impossible to open any at all.

Not surprisingly, the Turks are getting fed up. According to the Pew Global Attitudes Survey, back in 2005 some 68% of Turks favoured joining the EU, with 27% against. Now the numbers are 54% in favour and 40% against. Eurobarometer polls show similar results. In September a German Marshall Fund survey found that, whereas in 2004 some 73% of Turks thought joining the EU would be a good thing, in 2010 only 38% did (see chart 4).



Both Egemen Bagis, the Turks' chief European negotiator, and Stefan Fule, the enlargement commissioner in Brussels, gamely insist that the talks are proceeding normally. Mr Bagis trots out two lines that have become familiar to observers. The

first is that "the process is more important than the end-result." The AK government says it is making reforms for their own sake, not just to satisfy Brussels.

That is sensible. Most things a country has to do to qualify to open membership talks and then to join are desirable in themselves (it would be a sad comment on the EU if they were not). When the new members from central and eastern Europe joined, the biggest reforms were those introduced before accession. Afterwards the EU loses much of its leverage.

Yet even if the journey is the most important thing, it is harder to persuade the Turks to undertake it if they believe they will never reach their destination. Why should businessmen welcome the opening up of Turkey's public-procurement market to more competition from European companies, for example, if they are not sure that they will one day be rewarded with membership?

Mr Bagis's second line is that "every day that passes Europe needs Turkey more and Turkey needs Europe less." In the same vein, Mr Davutoglu likes to argue that his visionary foreign policy is making Turkey ever more valuable to the EU. Once again, there is something in this. A rapidly growing Turkey that acquires greater economic, military and diplomatic clout ought to be a bigger prize for the Europeans to catch. But the argument can still be taken too far, in two respects.

The first is that, despite the rhetoric, joining the EU does not really involve any negotiation at all. An applicant country is simply required to adopt and implement all 160,000-odd pages of the European *acquis*. To assert that the EU needs Turkey more than the other way round sets the wrong tone, making it sound as though the supplicant is Brussels, not Ankara.

Second, an enterprising foreign policy of the sort that Mr Davutoglu is pursuing can jar with the EU's own policy. This is not just a matter of saying no to sanctions against Iran or uttering tirades against Israel. The Turkish goal of visa-free access for almost all its neighbours could easily contradict the EU's own plans for tighter border controls. No wonder some in Berlin, Paris and even Brussels maintain that Turkey is too wilful and unreliable ever to sit comfortably inside the EU.

Can anything be done to get Turkey's EU aspirations back on track? No country has ever begun entry negotiations without eventually being offered full membership, but plenty have encountered big problems on the way. Britain's application was twice vetoed by France's Charles de Gaulle in the 1960s. Spain took nine years to get in. Norway was twice offered membership, only for voters to turn it down in referendums.

The best way to promote Turkey's membership now would be to resolve the Cyprus problem, but the prospects of that look shaky. It is also possible that, after the Turkish election next June, a new constitution and a renewed enthusiasm for reform may inject fresh life into the negotiations. The rising possibility that Mr Sarkozy will lose the presidential election in France in 2012 is also a good omen for Turkey.

But it may not be enough just to sit and wait. Hence another idea, suggested by Heather Grabbe of the Open Society Institute in Brussels, among others: to incorporate Turkey into the EU's foreign and security policy now, without waiting for it to become a full member. This would make the country more familiar with the give-and-take of finding a common position and bolster the EU's security. Turkey has a presence in places like Iran and Syria where the EU's influence is weak. Mr Davutoglu might be reluctant to trammel his dream of an independent foreign policy. But the Turks might accept a strategic dialogue so long as it supplemented rather than supplanted its membership talks.

Another idea, promoted by Cengiz Aktar, a seasoned Turkish foreign-policy commentator, is to set a target date by which the negotiations should be wrapped up and membership achieved. He has suggested 2023, the centenary year of the founding of Ataturk's republic. It is sufficiently far off to be tolerable to opponents of early Turkish accession, but close enough to encourage doubters within Turkey. Yet setting a date would make a difference only if people really believed in it, and the precedents are not encouraging. The EU guaranteed entry in 2007 on a fixed timetable to Bulgaria and Romania. Both countries joined before they were really ready, and the results have been messy.

Other suggestions include agreeing now that Turkey will never enjoy free movement of labour in the EU, to reassure European workers fearful of hordes of Turks stealing their jobs; or limiting Turkey's voting weight in the EU's institutions to stop it becoming the most powerful single country. But all of these would look like a form of second-class membership, which would be hard for the Turks to accept. In the end there may be no alternative to plodding on with the membership negotiations and just hoping for a change in the climate on both sides. Nobody has any reason to stop the talks now.

Yet this poses problems of its own. One is how to keep the negotiators on both sides busy. When they run out of chapters to open and discuss, what will they do? And even if something can be found to occupy them, there is a second and bigger problem: how to sustain the Turks' interest in joining. Much will depend on what happens next in Turkish politics, now at an unusually critical moment.

Immovable object: Cyprus remains a stumbling-block

CYPRUS bedevils Turkey's hopes of joining the European Union. The problem dates almost as far back as the leasing of the island to Britain after the 1878 Congress of Berlin. In 1960 Cyprus won its independence and became a federal state that, in theory, respected the rights of both Greek- and Turkish-Cypriots (respectively 80% and 20% of



Cyprus's 1m-odd people). But as early as 1964 the Turkish-Cypriots were driven into enclaves by the majority Greek-Cypriots.

In July 1974 a coup against the Greek-Cypriot leader, Archbishop Makarios, brought in a regime set on *enosis*, or union with Greece. Turkey invaded northern Cyprus in the same month. After a brief campaign the Turks captured over a third of the island,

driving out or killing the Greek-Cypriots. A ceasefire line turned into a UN-patrolled green line. Nicosia is Europe's last divided capital.

There have since been six rounds of UN-sponsored talks on unifying the island. Until 2003 they foundered on the opposition of the obdurate Turkish-Cypriot leader, Rauf Denktash, who openly preferred the idea of an independent north and in 1983 proclaimed the Turkish Republic of North Cyprus, which was recognised only by Turkey. The most serious effort at a settlement came in 2003-04. Partly because the obstacle to unity had always been Mr Denktash, but mainly because Greece threatened to block EU enlargement to eastern Europe, the EU decided in 2000 that it would admit Cyprus as a member even if the island remained divided. With Mr Denktash sidelined and a new government in Ankara, the time seemed ripe for a new effort by the UN secretary-general, Kofi Annan. But the effort was doomed by the unconditional promise to the Greek-Cypriots of EU membership. When the Annan plan for unification was set out in early 2004, that promise allowed the Greek-Cypriot leader, Tassos Papadopoulos, to urge voters to reject it. In April 2004 some 65% of Turkish-Cypriots, lobbied from Ankara, voted in favour, but 76% of Greek-Cypriots said no. A week later Cyprus joined the EU, with the *acquis communautaire* suspended in the north.

When Turkey opened its membership talks with the EU in 2005, Cyprus promptly became a big issue. As members, both Greece and Cyprus have a veto. Also, Turkey's customs union with the EU was due to be extended to all new EU members, including Cyprus. But the Turks have refused to allow Cypriot vessels access to their ports and airports because the Greek-Cypriots are blocking an EU promise, made after the referendums in 2004, to allow direct trade with the north.

In 2008 Mr Papadopoulos was ousted by a more moderate president, Demetris Christofias. By chance Mr Christofias was an old trade-union comrade of the Turkish-Cypriot leader, Mehmet Ali Talat. Their friendship encouraged another round of talks. But Turkish-Cypriot voters failed to re-elect Mr Talat in April 2010. Instead they chose Dervish Eroglu, an opponent of the Annan plan for unification who barely knows Mr Christofias.

The settlement talks might yet get a push from the European Parliament, which hopes to revive a regulation that would allow direct trade with the north. Under the Lisbon treaty, this can be adopted by majorities that circumvent a Cypriot veto. Yet it has only a small chance of passing. The odds on a settlement seem equally slim, even though Mr Eroglu and Mr Christofias are still meeting. There is now talk of permanent partition. But if the Cyprus problem remains unsolved Turkey has little hope of joining the EU.

Balance of power: A mildly Islamist government fights it out with the generals

TURKEY'S politics used to be as quirky and colourful as the country itself. Parties would be formed and as quickly disappear, politicians would suddenly be banned, coalitions of all shapes and sizes would be tried—and every so often the army would kick out an errant government. But all this changed after Turkey's economic crisis of 2001.

In the election of November 2002 just two parties were returned to Turkey's grand assembly, or parliament; all others failed to reach the 10% threshold below which they win no seats. Mr Erdogan's mildly Islamist Justice and Development (AK) party got 34% of the vote and Ataturk's old Republican People's Party (CHP), led by Deniz Baykal, took 19%. It was enough for AK to form a single-party government that has been in power ever since.

Mr Erdogan has been the dominant actor on the Turkish political stage for almost a decade. Once an aspiring professional footballer, he became a highly successful mayor of Istanbul in 1994. He was then a member of Necmettin Erbakan's Welfare Party, an avowedly Islamist outfit. Mr Erbakan's government was pushed out by the army after the so-called "soft coup" of 1997. Mr Erdogan himself was briefly jailed in 1999 for the offence of reading an Islamist part of a poem in public. This conviction at first stopped him taking up his parliamentary seat in 2002, so Abdullah Gul served as prime minister until March 2003.

There is thus little doubt about Mr Erdogan's Islamist credentials. His democratic ones are less clear. He once called democracy a train from which to disembark on reaching one's destination. In office as prime minister he has displayed an authoritarian streak. He dislikes opposition and is intolerant of criticism. He has a reputation for keeping lists and remembering the names of his enemies, especially in the media—and of harassing them.

Yet he and his colleagues learnt from their experience with Mr Erbakan and the army in the 1990s. They broke with Welfare and set up the AK party in 2001, in many ways more of a moderate conservative party than a religious one. True, it has roots in earlier Islamist



parties and also links with the powerful Fethullah Gulen movement, led by a Muslim cleric now based in America. But AK still came to power on a moderate platform, promising to press for EU accession and to push through liberalising constitutional and economic reforms.

This was not enough to reconcile the secularist opposition or the army to Mr Erdogan's government. Both have treated AK with deep suspicion from the outset. They were not impressed when the government completed the economic turnaround begun by its predecessor. Nor did they soften when it enacted enough reforms to win the much-coveted opening of EU membership talks in October 2005. Nor yet were they interested in the first serious effort by any government to talk to the Kurds. To the AK's opponents, what really mattered was to safeguard the secularist tradition of Ataturk from Islamic fundamentalism.

One early flashpoint was the treatment of graduates of *imam hatip* religious schools. Another was a proposal by the government to make adultery a crime, which was dropped soon after being put forward in order to appease the EU. But

the most explosive—and symbolic—issue of all has been the Muslim veil or headscarf, worn by the wives of both Mr Erdogan and Mr Gul, who became foreign minister in March 2003. The row over the veil came to a head, as it were, in 2007.

Veils of ignorance

As in fiercely secular France, the headscarf is banned in state institutions, which in Turkey's case may include universities. The AK party's supporters were (and remain) keen to lift this ban as the numbers of women sporting the veil in public goes up (although there is some evidence that the total number wearing it is declining). Yet the government has been hesitant, mindful of opposition from both the army and the constitutional court.

What brought the issue to a crunch was the end of the term of office of the Turkish president, Ahmet Sezer, who was a strongly secular former judge. In the spring of 2007 Mr Erdogan announced that his candidate to succeed Mr Sezer was none other than Mr Gul. The army, under a newish chief of staff, reacted forcefully. In April 2007, in what became known as the e-coup, it posted a message on its website threatening to step in to prevent the appointment of a president whose wife wore the headscarf. Soon afterwards, at the urging of Mr Baykal's CHP, the constitutional court issued a thoroughly dubious ruling invalidating a parliamentary vote in favour of Mr Gul's candidacy.

Mr Erdogan responded by calling an early election in July 2007. AK won a convincing victory, with almost 47% of the vote against the CHP's 21% (although its parliamentary majority shrank because Devlet Bahceli's far-right Nationalist Action Party, or MHP, also jumped the 10% hurdle). Armed with his new majority, Mr Erdogan got his way. Mr Gul became president in late August. The government also promised to change the rules so that in future the president would be elected by the voters, not by parliament. That has led many to predict that Mr Erdogan himself might run for the job in 2012.

But though the army was chastened, the government's troubles were not over once Mr Gul was installed in the Cankaya palace. An act to permit the headscarf in universities was overturned by the constitutional court. Next, prosecutors called on the same court to ban the AK party and several named political leaders, including Mr Erdogan and Mr Gul, for pursuing overtly "anti-secular activities". In late July 2008 the court ruled against a ban, but by only a single vote. (In December 2009 it banned the main Kurdish political party.)

And still the argument went on. Earlier this year the AK government drew up more constitutional reforms, including provisions to subject the army to greater civilian control and give parliament more say in judicial appointments. After failing to win enough support in parliament, the government dropped some plans, notably those to make it harder to ban political parties. But it put those curbing the army, including provisions allowing leaders of military coups to be put on trial and allowing the government to appoint constitutional court judges, to a referendum on September 12th this year, which it won by a majority of 58% to 42%.

The AK government has thus won most of its battles with the secularist establishment and the army. But its long-drawn-out war has still had two highly damaging consequences. One was to distract the government. The pace of reform was much quicker between 2002 and 2005, when Turkey's EU membership negotiations began, than since,

which is one reason why the talks have dragged. Worse, the lack of progress in the talks has led many Turks to give up on the EU dream altogether.

The second effect was to increase Mr Erdogan's autocratic instincts. One might have hoped he would soften after almost a decade in office, but he has not. Many journalists complain that the political atmosphere makes it unwise to criticise the AK party in general and Mr Erdogan in particular. Some practise self-censorship. Before the September referendum Mr Erdogan threatened to destroy TUSIAD, the employers' federation, for not advocating a yes vote. It has become especially hard to try to expose or even discuss the corruption to be found within the AK party.

A prime example concerns the country's biggest media conglomerate, the Dogan group. Until 2006 Dogan, which controls two big newspapers, *Milliyet* and *Hurriyet*, as well as several television stations, had few difficulties with the AK government. But in 2007 it fell out with Mr Erdogan over stories linking party bigwigs to the diversion of money from a German-based charity. After more unfavourable articles appeared, the group suddenly found itself the object of an unusually vigorous tax inspection, involving as many as 16-18 tax audits in one year, says an insider.

The Dogan affair is too complex for outsiders to grasp in detail. Tax demands have been made and negotiated down, but the amounts have risen. At one point in 2009 the group faced a bill as big as \$4 billion, reminiscent of Russia's treatment of the Yukos oil company. Dogan has since mended some fences with the government, shut down a TV programme and sacked a few columnists, so a truce may prevail. The finance minister, Mehmet Simsek, insists that the tax authorities have acted independently. Aydin Dogan, the main owner, notes that his media interests, a small part of the group, have proved the most troublesome. In its 2009 progress report, the European Commission heavily criticised the government over Dogan.

Turkey's second big political-conspiracy theory is juicier still. It comes under the label Ergenekon, the name for a series of charges levelled by prosecutors against various generals and other high-ranking officers. These brass hats are alleged to have plotted several coups, including one codenamed "Sledgehammer", complete with detailed plans for the deployment of jet fighters and tanks. Many alleged leaders languish in prison awaiting trial.

Nobody familiar with Turkey's post-war history would lightly dismiss allegations that a coup was in the making. In 1960 the army overthrew the government of Adnan Menderes, whom the generals proceeded to hang. There was another coup in 1971, and yet another in 1980. After that the army rewrote the constitution, which with a few amendments remains in force. The most recent "soft coup" was in 1997.

There is some evidence of a conspiracy in the Ergenekon case. Yet there is also reason to believe that over-zealous prosecutors have pushed things too far. Some of the charges have been dropped and some suspects released. Dani Rodrik, a Harvard economist whose father-in-law is one of the generals involved, is not alone in believing that many of the

charges are fabricated and that the Gulenists and the AK party have exploited the case to settle old scores. The truth about Ergenekon may (or may not) emerge in court but it leaves a bad smell all round.

Enter Gandhi

What of the opposition? The news is mixed. In May the charismatic but ineffectual Mr Baykal was dumped as the CHP leader after a sex scandal, to be replaced by Kemal Kilicdaroglu, known as Gandhi for his ascetic lifestyle. Mr Kilicdaroglu has promised to revitalise Ataturk's party. Several defectors from the CHP who were fed up with Mr Baykal and in some cases had even started new parties have since returned to the fold. But the new leader still needs more political experience, and because he fought hard for a no vote in the referendum he has lost some face.

It is a plus that Mr Kilicdaroglu is an Alevi, a member of a liberal Shia Muslim sect. He also has both Kurdish and Armenian forebears. Much to his credit, and unlike rather too many AK members, he stands above the usual corruption of Turkish politics. His political



Kilicdaroglu to the rescue?

instincts seem sound. He is strongly pro-EU, calling it a “civilisational project”. He also insists that “we are completely opposed to military intervention in politics: the soldiers should remain in their barracks.”

Mr Kilicdaroglu expresses proper concerns about the autocratic rule of Mr Erdogan's AK party. He accuses the government of

“limiting freedom” and criticises the treatment of Dogan and the Ergenekon case. He claims that the AK party disguises its religious agenda by switching the focus to secularism as a problem in itself. In foreign policy he frets about the risk of Turkey moving away from the West.

The trouble is that his party (over which he may not have total control) remains too hostile to reform. Its decision to fight for a no vote in September's referendum proved to be a mistake, not so much because the proposals being put to the vote have increased democratic control over the army and the higher judiciary but more because the AK won by such a convincing margin. The CHP fiercely resists political concessions to the Kurds. Mr Kilicdaroglu insists, not entirely persuasively, that the roots of the Kurdish problem are economic, not cultural or political (though he is open to the idea of negotiations with the PKK). His party's vote is very low in the south-east.

Next year's permutations

What will next summer's election bring? The polls suggest that AK will once again be the biggest party, with at least 38-40%. But that is down from 2007, and despite the referendum debacle the CHP could go up to 30%. The main Kurdish Peace and Democracy Party (BDP) seems certain to win seats. Much will then depend on whether the nationalist MHP can again get above the 10% threshold (which Mr Kilicdaroglu, among others, would like to see lowered). After the referendum, when many of its supporters backed the AK, this looked less likely. But it could still happen, especially if PKK violence is resumed—and that might deny the AK a majority.

That would make the task of amending the 1982 constitution trickier, although it might at least force the AK party to do it on a bipartisan basis. Mr Kilicdaroglu insists that he would never go into coalition with AK. It would be hard, though perhaps not impossible, for any party to work with the MHP, which espouses disturbingly nationalist views. A more intriguing possibility is a pact between AK and the BDP, which has taken over from its banned predecessor and which successfully led a campaign in the south-east to boycott the September referendum. Whether such a link could ever work depends mainly on how much progress can be made towards solving the Kurdish problem. Sadly at the moment there is not enough.

All Turks together? Turkey is overcentralised and treats minorities badly

MOST Turkish schoolchildren take part in a weekly flag ceremony during which they recite a patriotic chant ending, "Happy is he who calls himself a Turk." The old Ottoman empire was a patchwork quilt of different nationalities and religions, but Ataturk's Turkey was intolerant of non-Turks, even though the Lausanne treaty of 1923 recognised the existence of Armenians, Greeks and Jews. In his book on eastern Turkey, "Rebel Land", Christopher de Bellaigue recalls going with a Kurdish friend to meet a local governor. When he tentatively tries to ask about the treatment of minorities, the governor brusquely interrupts to say that "we have no minorities in Turkey."

In reality Turkey today is a multi-ethnic, multifaith society. Some 99% of the population are Muslim, most of them Sunni. But a minority, perhaps 10-15%, are Alevi, a humanist branch of Shia Islam. Turkey also has deep regional divides and exceptional inequality among regions (income per head around Istanbul is almost ten times as high as in the poorest eastern provinces). It also has some 14m Kurds, who are Sunni Muslims but ethnically and linguistically distinct from Turks. Perhaps 3m of them live in Istanbul, which in that sense is the world's biggest Kurdish city. But most are in the poor south-east, where they make up 85-90% of the population.

I see no Kurds

The Kurdish question is a festering sore in Turkey. That is in part because successive Turkish governments, egged on by the army, have refused to recognise the Kurds' existence. Article 166 of the constitution, which remains in force, declares baldly that the inhabitants of Turkey are Turks. For many years Kurds went under the derogatory label "mountain Turks". Not only was Kurdish culture suppressed, but so was the language. It was banned in education, in broadcasting and even in parliament. In the 1990s, Leyla Zana, a newly elected Kurdish member, was tried and jailed after uttering a few words of Kurdish in parliament.

As in so many countries that have suppressed their minorities, a backlash was inevitable. It came in the form of the Kurdistan Workers' Party (PKK), founded by the charismatic Abdullah Ocalan in 1978. Helped for many years by Syria, the PKK has since 1984 waged a long and violent campaign against the Turkish army and state. It has also committed terrorist atrocities, especially but not only in the south-east. The PKK is classified as a terrorist organisation in both Europe and America.

The army's crackdown in response has been even more violent. Troops and tanks have spread out across the region. Fighter aircraft have bombed suspected guerrilla bases, including some in northern Iraq and Syria. Thousands of suspects have been killed or jailed. A system of village guards was set up, supposedly to fight the PKK but as often to intimidate the locals. At the height of the campaign entire villages were depopulated and 1m people herded into cities.

The grisly details of human-rights abuses, torture and extra-judicial killings in Diyarbakir, Batman, Van and elsewhere have been extensively documented by brave human-rights lawyers and campaigners. The death toll over the PKK's 26-year-old insurgency has reached 40,000, most of them Kurds. That is more than ten times the number killed during the IRA campaign in Northern Ireland.

Even government officials concede that the Kurdish problem cannot be solved by force alone. The PKK was weakened by the capture and imprisonment of Mr Ocalan in 1999 (he is now held on an island near Istanbul). The level of violence has declined somewhat, and the PKK has periodically declared ceasefires (one is in force now). Yet the organisation is not defeated, and the autonomy won by the Kurdish region of northern Iraq will inevitably give it sustenance. The Kurds' grievances which the PKK has exploited remain unsettled.

That is not entirely for want of trying. Successive governments have poured resources into the region, believing that the problem is caused partly by the south-east's backwardness and poverty. The south-eastern Anatolia project (GAP) is the most ambitious and expensive infrastructure project Turkey has ever undertaken; in the 1990s it represented some 5-8% of all investment in the country. It aimed to improve agriculture and provide water and electricity to poor south-eastern villages around the Tigris and Euphrates rivers. Its network of dams has boosted farm productivity and raised living standards across the region.

Some parts of the east and south-east have also joined in the wider Anatolian economic boom of the past two decades. The city of Gaziantep, in particular, has followed the better-known example of Kayseri into manufacturing. In recent years Gaziantep and much of the surrounding region have also benefited greatly from growing trade with Syria and Iraq. Yet poor education and infrastructure, a deeply conservative Muslim culture and the violence of the PKK continue to discourage investment.

The AK government has tried harder than any predecessor to make amends. Soon after it came to power, it allowed the first ever Kurdish-language television broadcasts. Mr Erdogan has paid several visits to Diyarbakir, the Kurds' unofficial capital. In 2005 he went so far as to admit to past mistakes, apologise for Turkey's mistreatment of the Kurds and recognise their legitimate aspirations. He was rewarded with a strong showing for the AK party in the 2007 election, when it won more votes in the region than the main Kurdish party. More recently the government has worked hard to reach an accommodation with the Kurds of northern Iraq.

Yet any Turkish government, no matter how strong, is constrained by two powerful forces: the army and the nationalists. The army resists concessions to the Kurds because it does not want to seem soft on terrorism. Conspiracy theorists also point to evidence of a "deep state" that prolongs the fight against the PKK by staging terrorist acts itself. Nationalists, meanwhile, fret that gestures to meet demands for greater autonomy will inevitably lead to the break-up of Turkey. Both opposition parties, especially the far-right MHP, have fiercely resisted openings towards the Kurds, which is one reason why they win so few votes in the south-east.

Yet in fits and starts, and under pressure from the EU, Mr Erdogan has persisted with his overtures. In mid-2009 his government launched an initiative it called the Kurdish opening, later renamed the democratic opening (and labelled by a local AK official as the "national unity and brotherhood project"). The same year saw the start of the first state-owned 24-hour Kurdish-language TV station. And in a blaze of publicity, the government gave an amnesty to a clutch of disarmed PKK fighters based in northern Iraq, allowing them to return home unmolested.

Sadly, this particular move backfired. Instead of returning quietly home, the PKK men triumphantly paraded in uniform through the streets of Diyarbakir. Turkish nationalists and the army were indignant. The government withdrew a promise to let more fighters return—and the PKK resumed battle. It was widely noted that, on the same day that the nine Turkish civilians killed aboard the *Mavi Marmara* were given huge media coverage, six soldiers lost their lives to the PKK in the south.

Devolution, devolution

Hard as it may be, more will have to be done to assuage Kurdish feelings. Turkey needs to stop the common practice in the south-east of arresting and jailing elected mayors for allegedly expressing PKK sympathies. As part of a new constitution promised by Mr

Erdogan after the next election, article 166 about the inhabitants of Turkey being Turks could be dropped. Allowing Kurdish-language teaching in schools would also be a good idea, but it is controversial. The governor of Batman, for example, expresses cautious support for it, but the governor of Diyarbakir is against. Yet steps like these will be needed if Turkey is ever to get into the EU. And the 1923 Lausanne treaty states clearly that “no restrictions shall be imposed on the free use...of any language.”

Turkey’s regional problems go beyond the Kurdish question. Thanks to Ataturk, the country is excessively centralised. The governors of all 81 Turkish provinces are appointed by the government in Ankara. Over time most have become AK men. Education is still largely run from the centre, on the traditional French model. Given the



Ready to bring out the guns again?

country’s size and diversity, that may not be the most sensible approach. Turkey now badly needs a debate on more devolution of power to democratically elected local bodies.

What about the army and the nationalists? Mr Erdogan and the

AK may now be well placed to call their bluff. By winning the referendum on constitutional changes in mid-September by such a wide margin, the AK government has shown the weakness of the nationalist opposition, especially the MHP. This, and the promise of a new constitution next year, may create an opportunity for imaginative gestures. That the main Kurdish party, the BDP, persuaded so many Kurds to boycott the referendum serves to show again that neither it, nor the PKK, can be ignored.

BDP officials in Diyarbakir dismiss the so-called Kurdish opening as rubbish. The party is wary in part because its predecessor, the DTP, was banned by the constitutional court in 2009. But its success over the referendum boycott reflects its continuing appeal to Kurdish voters. It will win its usual clutch of seats in next year’s election. If AK fails to get a majority, it could do worse than seek a deal (if not a formal coalition) in exchange for BDP support.

That would, however, require concessions such as Kurdish-language education, more power for local mayors and reining in the army. British experience in Northern Ireland also suggests that the AK government may yet have to talk to Mr Ocalan direct. Sezgin Tanrikulu, a lawyer with the Human Rights Foundation in Diyarbakir, declares portentously that Turkey is near the “last exit” with the Kurds. But if Mr Erdogan is bold

enough to seize the moment, he could yet crown his premiership with a peace settlement in the south-east.

Silk road to riches: Gaziantep's rise and rise

ANATOLIA'S success stories are usually about such places as Kayseri and Konya. Ankara too has mushroomed out of nothing, to a point where its population is bigger than that of any other European capital except London, Moscow and Paris. But there are also unsung heroes in the south and east. One such is Gaziantep, which with a population of some 1.35m is the country's sixth-largest city. Its proud (AK) mayor, Asim Guzelbey, likes to call it "the rising star of Turkey".



Now where are those baklavas?

Until recently, Gaziantep (Antep for short) was a sleepy, poor provincial town. A smattering of tourists were drawn by its fortress, its ancient history, the Roman mosaics of Zeugma, the Euphrates river, a few old Armenian churches and houses—and its traditional produce of pistachios, hazelnuts and what it claims to be the world's best baklava (a sticky pastry). Appropriately enough, Antep was the home town one of Turkey's earliest tourism ministers, the CHP's Ali Ihsan Gogus, who began the development of Turkey's Mediterranean coastline in the 1960s.

But in the past few years Antep has blossomed. Dotted around the city are factories making carpets, shoes, plastic packaging, white goods and much else. Mr Guzelbey says the region now produces \$4 billion-worth of annual exports which he claims support 100,000 new jobs in four big industrial estates. Unemployment is down to 9-10%, less than the national average and far below the level in the more predominantly Kurdish south-eastern region of Turkey.

Mr Guzelbey naturally attributes much of Antep's success to his own party's efforts. When he took office in 2004 the city was heavily indebted, transport links were poor and there was almost no foreign investment. All that has changed. The airport is heaving with visitors from abroad and the roads are vastly improved. Managers at Royal Carpets, a big local producer, concede that the AK government has been helpful, offering tax cuts, trade promotion—and, perhaps most importantly, visa liberalisation.

The secret of the region's new strength lies in its ancient links with Syria and Iraq. Antep is on the old silk road that leads to Aleppo. Partly thanks to the abolition of visa requirements for Syrians, cross-border trade is booming. According to Mr Guzelbey, over

half the region's exports now go to Iraq, Syria or elsewhere in the Middle East and only a quarter to Europe. That helped exports from Antep rise by 6% in value in 2009, whereas those from Turkey as a whole fell by 20%.

Antep's new links with the Arab world recall its own history. Besides being on the silk road, it is famous mainly for its heroic ten-month resistance against a siege by French forces in 1921. Although the city eventually capitulated, the nascent Turkish parliament awarded it the honorific prefix Gazi, "warrior of the faith". In its mix of Muslim piety and hard-headed business nous, Gaziantep speaks volumes about modern Anatolia—and Turkey.

In it for the long haul: But a liberal democracy ready to join the EU is still the best bet



What would Ataturk say?

IT HAS become a joke for *The Economist* to say that a country is at a crossroads, yet for Turkey it happens to be spot on. The next year or two will be critical to where the country is going.

The economy is in better shape than at any time since the second world war. At its current breathtaking growth rate Turkey is catching up fast with the poorer countries of continental Europe. The political judgment is less straightforward. The AK government under Mr Erdogan has done more than any since Ataturk to reform Turkey. It has pushed through many political and legal reforms. It has taken big steps towards resolving the Kurdish question. If it is re-elected next year, AK will make an overdue start on rewriting the constitution drawn up after the 1980 military coup.

Yet this is also where the doubts start to creep in. The secular establishment's concern about Mr Erdogan and the AK party has always been that behind the

reassuring "mildly Islamist" label lie deeper fundamentalist ambitions. People in the cafés of Istanbul fret that, if the veil were allowed in state institutions, the next stop would be Iran. Yet although many in AK, including Mr Erdogan, are doubtless pious, Turkey is surely too democratic, pluralist and, well, modern for this to be a serious danger. The lesson of the past decade is that the secularists have cried wolf too often—and as a result have lost most of their battles with AK.

It is the condition of Turkey's democracy that is more worrying. The AK leadership, especially Mr Erdogan, has proved highly partisan and intolerant of criticism. That has turned Turkey into a deeply divided country. The results of the September referendum were revealing: a big yes in most of Anatolia (save in the Kurdish region) but a firm no in large parts of Istanbul, Izmir and the west. To overcome such divisions when it comes to drawing up a new constitution, Mr Erdogan needs to find a way of working with the opposition, but he shows no signs of doing this. Turkey has long lacked a credible opposition, but the new CHP leader, Mr Kilicdaroglu, could yet come to fill that gap.

A longish period of one-party rule has also fostered a culture that tolerates corruption at the heart of the government. The party's leaders may be clean, but many of those around them are not. Another problem is Mr Erdogan's autocratic manner, which risks trammelling free debate in the media. Critics who sometimes liken him to Russia's Vladimir Putin have got it wrong, but many journalists in Istanbul and Ankara now feel that they cannot say or write what they think.

Turkey is not the only European country to suffer from corruption, autocratic leadership or fears about a free press. But because there are already so many vocal opponents of its aspirations to join the EU, its membership hopes are damaged every time that there is a fresh outburst of criticism from Brussels of another bout of political turmoil at home.

Keep persevering

Plenty of Turks, including some in AK, are starting to say that it does not matter. The EU is not going to admit Turkey anyway, they argue, so why should they care what the Europeans think? Yet in truth, although Turkey has developed new relationships in the Middle East and even with Russia, as a liberal market democracy it has no real alternative to Europe. Its hopes of joining the EU may not be realised for many years, but Turkey will not be the first country that has had trouble getting in: Britain took 12 years and Spain nine.

Besides, Turkey needs to keep on modernising for its own sake, not just to please the Brussels bureaucracy. So long as it keeps on track, it will continue both to thrive and to matter—and an EU that wants to remain relevant will find it increasingly hard to keep Turkey out.