



What Do the Turks Want?

Caroline Freund says that behind the political issues, Turks are upset about the declining economy and the government's development priorities.

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Steve Weisman: Protests have erupted in Turkey and also in Brazil. This is Steve Weisman at the Peterson Institute with Caroline Freund, senior fellow at the Institute, to focus on Turkey and the causes of unrest there. Protests began a couple weeks ago over plans to build at a public park in Istanbul, but there were deeper causes at work. Tell us first what prompted the protests.

Caroline Freund: I would say that in this case there's a big political aspect, which I'm not going to talk much about and I think is well known.

Steve Weisman: Right.

Caroline Freund: But whether Turkey should be the leader of the Islamic world or part of the EU, there are divisions within the country about which side to go. There's certainly a secular Islamist element and a democracy kind of move away [from] a strong leader element as well.

Steve Weisman: As you say, we'll talk about economics, but the issue is whether [Prime Minister Recep Tayyip] Erdogan, the Turkish leader, is pushing in the Islamic direction too hard. That's upsetting the middle class, as I understand it.

Caroline Freund: Yes, but let me speak to the economic issues. There are some similarities with Turkey and some of the other countries that have experienced protests in recent months or years. One thing is that there was a sharp slowdown in growth. Growth in 2010-2011 was average 9 percent, extremely strong. That was part of the Turkish miracle and indeed actually they were going for a soft landing [after] maybe overheating. But a decline in growth from 9 percent to 2 percent is a sharp decline. That's what happened last year. This year growth is just somewhat stronger. So there's kind of a sharp slowdown there.

On the other hand, data doesn't suggest particularly large or growing inequality, poverty is very low. But where I see the similarity with other countries is in terms of opportunities. And despite the strong growth Turkey has had over the last ten years, unemployment's remained quite high at about 10 percent, and youth unemployment even higher, such that 1 in 5 young people are unemployed. And that's difficult when you have a young population. The average Turk is under 30, and not finding a job easily.

Turkey has a low rate of labor force participation, so what you end up with is an economy where less than half of the population of working age is actually working and that creates problems.

Steve Weisman: Instability.

Caroline Freund: Yes.

Steve Weisman: The government, you were saying before, has embarked on projects that have not won favor, especially among the middle class. Explain that.

Caroline Freund: I don't think I said that exactly. In the past the government has had strong support from the middle class because of the strong growth, the private sector orientation, improved healthcare, things like that. But more recently it's more about political freedoms. More journalists are in jail supposedly than in other countries around the world. This is one statistic often heard. And then in this particular incident, I think it's this environmental side that starts with, "OK, we have hardly any public parks. With the strong organization we've seen in Turkey, Istanbul is already very crowded, getting from one place to another is difficult, more building is not what we need.

Steve Weisman: They wanted to build what in the place of that park?

Caroline Freund: It was a shopping mall. There was also an Islamist side to it, in that it was a replica, I believe, of an Ottoman barracks and also would have a mosque inside. So it was a bit more than just the environmental standard protest that we might see in other countries around Europe.

But going back to the economic side, we also saw protests this year, let's not forget, in Sweden where it was mainly immigrants. But again, it was about the youth unemployment side of it.

We've seen protests in Bulgaria, we've seen protests now of course in Brazil. In Brazil I think the similarity is now that it started over a rise in the cost of transportation. But again, there's this building aspect to it, where people are upset about all the money going into building soccer stadiums, when what they want from the government is health and education and more social services.

Steve Weisman: I wonder if one might say that Turkey is a victim of its success in the sense that their rising expectations, because of the economic growth of recent years -- people's concerns might be more taken into account by the government.

Caroline Freund: I think that's true of rising expectations. I also think that as countries grow, what you want to do with that growth ends up being different for different parts of the population. The development side of that growth means different things to different people. Governments often like to do the big, very visible projects, like these stadiums or shopping malls or large airports, roads. But often what people want is health and education and to some extent not necessarily in the long run interest of the country. But there is a growing populace and more people tend to want more handouts. We've certainly seen in the Middle East and with Africa where following the revolutions there, subsidies for food and fuel and things like that actually went up, despite their already high levels.

Steve Weisman: What options can Turkey pursue to defuse the anger?

Caroline Freund: What you'd want to do is negotiate with the protesters. And the risk on the economic side is that Turkey has been running for quite some time, a large current account deficit on the order of 6 percent to 10 percent of GDP. What this means is, they need foreign currency to come in to finance this. And that money has increasingly moved from long term foreign direct investments type of funds to shorter term, so called 'hot money.' The problem is that the protests run the risk of the investors turning around. Investors don't like uncertainty. Now they're not there yet, not even close I would say, but that is a big risk.

Steve Weisman: Erdogan has to move to accommodate them in some way to avoid this?

Caroline Freund: Obviously, that would be the preferred outcome. The alternative outcome is that he thinks he can silence them. I think it remains to be seen which direction it's going to go.

Steve Weisman: Thank you very much, Caroline.

Caroline Freund: Thank you Steve.

