Turkey: Rentier models bereft of power, or reactivating convergence with Europe?

Turkish elites have a long history of domestic power struggles, especially after the long-dominating "White Turks" military elite was challenged and then replaced by the popular Erdogan-led A.K.P. in the early 2000s. The political elites' tussle for power wrecked their E.U. entry hopes about a decade ago, leaving Erdogan to impose a despotic regime and to resort to the help of the Gülen's minoritarian religious elite, which then turned inimical in the failed coup of 2016 and ensuing repression. A part of the business elite maintained their privileges and rents associated with traditional models. Yet these are not secure and can be taken away from them at any time, which is consistent with the high *Expropriation risk* (EXP, i.2) Indicator. In the State of Elites framework, we see them in the area where 'striving' elites meet 'rentier' elites (Visual 16).

Business elites will, however, not be challenged by new innovative and emerging players with more efficient business models. The Creative Destruction Pillar (ii.6) is at rank 26 – very low. SMEs are not encouraged (SME, ii.5, rank 27) despite Turkey's resilient entrepreneurial traditions.

The state itself might distract business elites away from market-oriented productive activities, as it is a source of rents. The State Capture Pillar (i.1) is problematic (rank 25), plagued by vast corruption (COR, i.1, rank 25), low administrative decentralization (ADE, i.1, rank 25), and minimal women power (WPI, i.1, rank 25), which deprives the economy of important resources.

High unemployment (UEM, iv.12, rank 27) co-exists with the lowest collective bargaining coverage rate and the second-lowest labour unionization rate in our sample. The labour market is among the most severely affected by slavery (GSI, i.3, rank 30) and by labour dependency (LDR, iv.12, rank 28). Moreover, wars are terrifying human capital Value Extraction models and our proxy for external peace, *Battle-related deaths* (BRD, iii.8), shows Turkey among the worst performers in the sample (rank 29). Overall Turkey comes in at a very commendable 5th in the Human Capture Pillar (i.3), and while the *Health Care as % of GDP* (DHC, iv.10) is low, fortunately it fares far better in *Covid-19 safety* (COV, iii.7, rank 12).

The Capital Rent Pillar (iv.11) is another story where Turkey scores 2nd to last, dragged down by the massive lira depreciation and debt crisis of 2018, which weakened the popular support for the new A.F.K. elite. This could generate further instability, or hopefully more pluralism.

The Chinese development model might have been attractive to Turkey, visible in rapid modernization projects like the double-deck Eurasia Tunnel. But the transplant has only been partial and left out some of the Value Creation aspects of East Asian state capitalism. Looking forward, should growth continue to rely on projects like the Kanal Istanbul connecting the Black Sea to the Marmara Sea with its environmental risks?

Turkey's potential should not be underestimated: The country could try to capitalize on its education (EDU, iii.7, rank 4) to build up a better educated, more innovative and inclusive elite, able to get closer to the European trade partners and hopefully reactivate a convergence process.

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Visual 38: Turkey performance overview by EQx Pillar vs overall distribution