



and large-size families, restricting entertainment businesses and tightening regulation of alcohol consumption. Added to this were restrictions on access to the internet, including temporary bans on *Twitter* and *YouTube*, and a general perception that Erdoğan was acting increasingly like an autocratic leader.

Moreover, power battles within the country took place throughout Erdoğan's time in government. In the early years, the government tried to neutralize old elites and the military, notably by putting dozens of generals on trial for an alleged coup (some observers claim the evidence presented in court was fabricated). Journalists were not safe either: in 2013 Turkey reportedly put more journalists in jail than China (a much larger country).

The unhappiness of the secular urban youth with such policies led to extensive demonstrations around Istanbul's central Gezi Park in the spring of 2013. Protesters were initially objecting to a commercial development (a shopping mall) in a popular park. However, following incidents of police suppression, their aims broadened to the abuse of power by Erdoğan's government and the protections of the right to peaceful protest without harassment by the police. The protests gained attention in the international media, which in turn concerned potential investors in Turkey. Similarly, business leaders within Turkey expressed concerns. For example Muharrem Yılmaz, the head of Turkey's industry lobby Tusiad, described Turkey as:

*a country where the rule of law is ignored, where the independence of regulatory institutions is tainted, where companies are pressured through tax penalties and other punishments, where rules on tenders are changed regularly, [it] is not a fit country for foreign capital.*

The prime minister returned in kind, accusing Yılmaz of treason. Following what appeared to be a military coup, the Turkish government dismissed thousands and arrested hundreds of government officials and even university professors, and introduced travel restrictions on them.

Changes in the law also created practical challenges – or even economic losses – for some foreign investors. For example, in 2011, *Diageo*, the world's largest distiller, acquired *Mey İcki*, a maker of raki liquor, traditionally Turkey's national drink. In addition to growing the raki business, *Diageo* intended to grow the sales of its global brands in Turkey using *Mey İcki*'s distribution channels. However, in 2013, the Turkish government introduced a new law that forbade alcohol advertising and severely restricted when and where alcoholic beverages could be sold. *Mey İcki*'s business prospects nosedived, and consequently *Diageo*'s share price fell by as much as 8%.

These changes to the political and legal system of Turkey also dampened the prospect of the country joining the EU. The formal start of EU membership negotiations in 2005 initially enhanced business confidence. On the one hand, some politicians in Western Europe interpreted political events and changes in legal practice as Turkey moving away from the shared norms and values of the EU. On the other hand, cultural and religious differences have long created major barriers to mutual understanding.

In some sectors of industry, foreign investment declined due to the political uncertainty and changing regulatory framework. In other areas, the businesses continued to take advantage of low labour costs combined with tariff-free access to the EU. For example, the production of cars increased in 2016 to 1.48 million, of which three-quarters were exported, mainly to EU countries.

Sources: (1) F. Nowak-Lehman, D. Herzer, I. Martinez-Zarzoso & S. Vollmer, 2007, The impact of a customs union between the Turkey and the EU on Turkey's exports to the EU, *JCMS* 45: 719–743. (2) E. Largo & K. Jørgensen, eds, 2007, *Turkey and the European Union*, Basingstoke: Palgrave-Macmillan; (3) B. Yinanç, 2013, Turkey a 'success story for the troubled IMF', *Hürriyet Daily News*, May 20; (4) K. Stock, 2013, Diageo's \$2.1 billion Turkish hangover, *BloombergBusinessweek*, June 24; (5) *Financial Times*, 2013, Supplement 'Investing in Turkey', November 28; (6) D. Acemoglu, 2014, The failed autocrat, *Foreign Affairs*, May 24; (7) D. Rodrik, 2014, The Plot Against the Generals, mimeo (32 pages), June; (8) J. Parkinson & E. Peker, 2014, Turkey election: Erdoğan wins landmark victory, *Wall Street Journal*, August 1; (9) A. Evans-Pritchard, 2014, Turkey spoils emerging market story as politics go haywire, *The Telegraph*, February 19; (10) M. Bossart, 2017, Autobauer in der Türkei fahren hochtourig, *Neue Zürcher Zeitung*, September 30.