

Politics

Erdogan Defies Naysayers to Extend His 20-Year Rule in Turkey

- Focus turns to his economic policy after election victory
- The Turkish lira fell again in early trading on Monday



WATCH: Turkish President Recep Tayyip Erdogan has sealed a reelection win on Sunday. Onur Ant reports. Source: Bloomberg

By [Selcan Hacaoglu](#), [Beril Akman](#), and [Firat Kozok](#)

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Turkish President Recep Tayyip Erdogan sealed an election victory that many pollsters thought unlikely just weeks ago, raising the prospect of more friction with Western governments and more uncertainty for investors.

The country's longest-serving leader prevailed 52.2% to 47.8% in a runoff vote on Sunday against Kemal Kilicdaroglu to take his 20-year rule well into a third decade, based on results with almost all ballots counted. Erdogan appeared on top of a bus in Istanbul and thanked Turks for keeping him in power. "The winner of today is Turkey only," he said.

[Turkish Lira Falls Amid Wall Street Warnings After Erdogan's Win](#)

The stage was set on May 14, when Erdogan did better than expected in the first round of the presidential election, falling just short of the 50% threshold needed to avoid a runoff. His alliance of parties captured a parliamentary majority. That sent stocks and bonds declining, while the lira sank to new depths, as investors

reined in bets that Turkey would soon end some of its unconventional economic policies, which include keeping interest rates well below the level of inflation.

The currency fell again on Monday, weakening 0.3% to 20.03 against the dollar in early trading. It may slide another 30% to 28 by the end of the year, according to [Morgan Stanley](#).



Erdogan supporters celebrate in front of the AK Party headquarters in Istanbul, on Sunday, May 28. Photographer: Kerem Uzel/Bloomberg

Erdogan, 69, who turned his office into the nexus of power in Turkey, has shown resilience before. Yet pollsters and financial markets had predicted a tighter election because of a cost-of-living crisis and after two devastating earthquakes struck on the same day in February. Erdogan responded by deploying the state media machine to divide the opposition and mobilize his conservative grassroots.

[Read More: Erdogan's Win Puts Focus on New Cabinet, Policies](#)

The most pressing question for investors now is whether he will stick to his promise and maintain an economic strategy that's seen an exodus of foreign money. Erdogan said later on Sunday night in Ankara that inflation was still afflicting the country and he would put together a new team with "international credibility" to manage the nation's finances.

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“He may appoint one or two senior officials who are palatable to the markets, but it is clear who will continue calling the shots,” Anthony Skinner, a political risk consultant, said. “Erdogan may be encouraged to continue pursuing unorthodox and piecemeal economic policies, knowing that his disregard for what would be described as a conventional economic playbook has not cost him the presidency.”

For world leaders, at stake is how Turkey maintains its delicate balancing act between fellow NATO members and Russia as President Vladimir Putin continues to wage war in Ukraine.

“It’s a Pyrrhic victory for Erdogan,” said Nihat Ali Ozcan, a strategist at the Economic Policy Research Foundation in Ankara. “He may have extended his record rule, but his new term will be full of challenges from the economy to foreign policy.”

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Barclays Plc’s Ercan Erguzel said that interest rates will have to rise regardless of Erdogan’s victory, albeit at a more gradual pace than if Kilicdaroglu had won. Erguzel projected that the benchmark will hit 36% by the end of this year.

The cost of insuring against a sovereign default will continue to soar, said Cagri Kutman, Turkish markets specialist at London-based KNG Securities. “Erdogan will be careful that the new economy administration has serious credibility,” said Kutman. It won’t, though, “give up on its low interest rate policy,” he said.

Turkey’s five-year credit default swaps have risen the most in the world since the first-round vote, to almost 665 basis points.

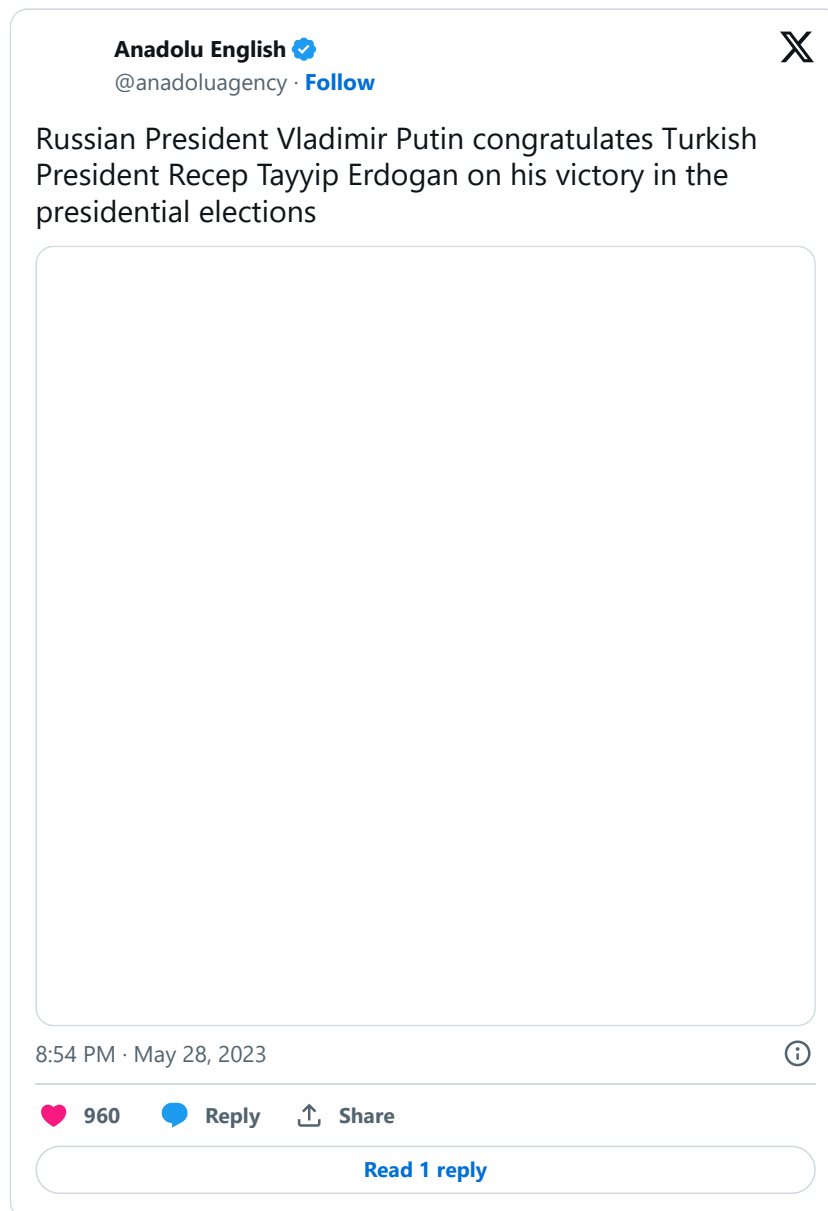
East and West

When it comes to foreign policy, another five years of Erdogan is likely to see Turkey – a critical buffer for migrants moving toward Europe from the Middle East and Asia – continue to assert its independence in the east versus west power struggle over everything from trade to the war in Ukraine.

Erdogan will work to maintain Ukrainian grain exports from the Black Sea after securing another extension two weeks ago. But he also made clear where his friends are, name-checking leaders in Azerbaijan – a traditional ally – Uzbekistan and Libya in his victory speech on Sunday evening.

“They are calling back-to-back and saying if necessary, declare it, invite us and we’ll come now,” Erdogan said. “No one can look down on our nation, drag our youth into the void. No one can wag their finger at Turkey.”

Putin also congratulated his “friend” in a statement on the Kremlin’s website. US President Joe Biden tweeted he looked forward to working with Erdogan as a NATO ally.



The Turkish president plans to try to foster peace in Ukraine, though will continue to stay out of the sanctions push against Russia because Ankara believes they are counter-productive, according to people familiar with the situation. They declined to be identified when speaking about Erdogan's thinking.

Erdogan would only agree to ratify Sweden's bid to join NATO after first looking at Stockholm's implementation of new terrorism legislation, which will go into force on June 1, the people said. However, Erdogan may need to balance his tougher approach toward Sweden to get US congressional support for Turkey's purchase of American-made F-16 fighter jets.

Turkey has demanded that Stockholm cracks down on supporters of the autonomy-seeking Kurdistan Workers' Party, which is labeled a terrorist organization by the US and the European Union, as well as its affiliates in Syria.

In his new term, Erdogan's expected to increasingly prioritize the development of a homegrown defense industry to back his aspirations to make Turkey even more of a regional military power, the people said.

Ankara has sent troops into northern Syria and northern Iraq to fight Kurdish militant groups it say pose a security threat.

"Turkey is about to reach the point of unsustainability in foreign policy with its expansionist initiatives in Syria and Iraq," said Dogu Ergil, professor emeritus of political science at the University of Ankara. "As for the

economy, the country is already in the red zone. There will either be significant changes or a deep social and political crisis – or both.”

– *With Tugce Ozsoy*

(Updates with quotes in fifth and sixth paragraphs.)

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