



Turkey Referendum 2017

What is the new deal for foreign companies operating in Turkey?

A special report by QU4TRO Strategies





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Executive Summary

Politics is the art of what is possible and Turkey will experience what is in the realm of possibilities in the historic referendum set to take place on most probably the 9th or 16th of April.

As the centenary of the Turkish Republic approaches in 2023, Turkey is shaken by developments that are changing the face of the country significantly: a failed coup and an ensuing crackdown, a resurging domestic conflict, and a war at its borders. This all comes at a time when Turkey's relations with the West are more strained than they have been in many years.

What will be voted?

Voters are expected to vote on 18 proposed amendments of the Constitution of Turkey. The amendments have long been a policy of the governing Justice and Development Party (AKP) and its founder, President Recep Tayyip Erdogan, finding a recent support from the opposition Nationalist Movement Party (MHP).

The amendments include the introduction of an executive presidency that would replace the existing Parliamentary System, the abolition of the Office of the Prime Minister, raising the number of seats in Parliament from 550 to 600, reforms to the Supreme Board of Judges and Prosecutors (HSYK), and lowering the age of eligibility to be elected as a deputy from 25 to 18.

DESCRIPTION OF PROPOSED AMENDMENTS

| Proposal # | Article | Description of change |
|------------|------------|---|
| 1 | Article 9 | The judiciary is required to act on condition of impartially. |
| 2 | Article 75 | The number of seats in the Grand National Assembly of Turkey is raised from 550 to 600. |
| 3 | Article 76 | The age requirement to stand as a candidate in an election is lowered from 25 to 18, while the condition of having to complete compulsory military service is removed. Individuals with relations to the military service are ineligible to run for election. |



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| 4 | Article 77 | Parliamentary terms are extended from four to five years. Parliamentary and presidential elections will be held on the same day every five years, with presidential elections going to a run-off if no candidate wins a simple majority in the first round. |
| 5 | Article 84 | The powers of Parliament to scrutinise ministers and hold the government to account, as well as granting ministers the power to issue decrees regarding certain matters, are abolished. |
| 6 | Article 98 | Parliament inspects cabinet and Vice President with <i>Parliamentary Research, Parliamentary Investigation, General Discussion</i> and <i>Written Question</i> . Interpellation is abolished and replaced with <i>Parliamentary Investigation</i> . Vice President needs to answer <i>Written Questions</i> within 15 days. |
| 7 | Article 101 | To stand as a presidential candidate, an individual requires the endorsement of one or more parties that won 5% or more in the preceding parliamentary elections or the written support of 100,000 voters. The elected president no longer needs to terminate his/her party membership if there is one. |
| 8 | Article 104 | The President becomes both the head of state and head of government, with the power to appoint and sack ministers and vice presidents. The president can call referendums and issue decrees at will, though decrees will only hold if they concern certain parts of the constitution and are not overridden by parliamentary legislation. |
| 9 | Article 105 | Parliamentary investigations into possible crimes committed by the President can be initiated in Parliament with a three-fifths vote in favour. Following the completion of investigations, the parliament can vote to indict the President with a two-thirds vote in favour. |
| 10 | Article 106 | The President can appoint one or more Vice Presidents. If the Presidency becomes vacant for a reason, then new presidential elections must be held within 45 days. If parliamentary elections are due within less than a year, then they too are to be held on the same day as early presidential elections. If the parliament has over a year left before its term expires, then the newly elected president serves until the end of the parliamentary term, after which both presidential and parliamentary elections are held. This does not count towards the President's two-term limit. Parliamentary investigations into possible crimes committed by Vice Presidents and ministers can be initiated in Parliament with a three-fifths vote in favour. Following the completion of investigations, the parliament can vote to indict Vice Presidents or ministers with a two-thirds vote in favour. If found guilty, the Vice President or minister in question is only removed from office if their crime is one that bars them from running for election. |



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| | | If a sitting MP is appointed as a minister or Vice President, their parliamentary membership is terminated and is taken by a reserve MP. |
| 11 | Article 116 | The President or three-fifths of the Parliament can decide to renew elections. In this case, the enactor also dissolves itself until elections. |
| 12 | Article 119 | The authority to declare a state of emergency is given to the President, taking effect following parliamentary approval. States of emergency can be extended for up to four months at a time except during war, where the state of emergency is indefinite. |
| 13 | Article 142 | Military courts are abolished unless they are revived to investigate actions of soldiers under conditions of war. |
| 14 | Article 159 | Supreme Board of Judges and Prosecutors is renamed to "Board of Judges and Prosecutors", members are reduced to 13 from 22, departments are reduced to 2 from 3. 4 members are appointed by President, 7 will be appointed by the Grand Assembly (Other 2 members are Justice Minister and Ministry of Justice Undersecretary, which is unchanged). |
| 15 | Article 161 | President proposes fiscal budget to Grand Assembly 75 days prior to fiscal new year. Parliamentary members cannot make change proposals to public expenditures. If budget is not approved, then temporary budget will be proposed. If temporary budget also not approved, previous year's budget would be used with previous year's increment ratio. |
| 16 | Several articles | Adaptation of several articles of the constitution with other changes, mainly transferring executive powers of cabinet to President. |
| 17 | Temporary Article 21 | Next presidential and General elections will be held in 3 November 2019. If Grand Assembly decides early elections, both will be held at the same day. Board of Judges and Prosecutors elections will be made within 30 days of approval of this law. Military courts are abolished once the law comes into force. |
| 18 | Several articles | The amendments (2, 4 and 7) will come into effect after new elections, other amendments (except temporary article) will come into force once newly elected president swears. |



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What do the polls say?

The polling industry in Turkey is no exception to global trend of becoming untrustworthy in critical elections or referendums when Brexit, 2016 US Elections, and Austrian Elections are taken into account. The chart below clearly indicates how divided Turkish voters are on referendum.

Looking at the results of six latest polls, conducted after 15 December 2016, three companies say YES camp is in lead, while at the same time other set of three companies claim that NO camp will likely to win.

| Date(s) conducted | Polling organisation/client | Sample size | Considering undecided vote | | | Considering Yes/No vote | |
|---------------------|--|-------------|----------------------------|------|-----------|-------------------------|------|
| | | | Yes | No | Undecided | Yes | No |
| 1-11 Jan 2017 | ORC | 2,340 | 62.0 | 38.0 | - | 62.0 | 38.0 |
| 3-10 Jan 2017 | Optimar | 2,043 | 46.3 | 40.0 | 13.7 | 53.6 | 46.4 |
| 1-25 Dec 2016 | Sonar | 5,000 | 42.3 | 44.6 | 13.1 | 48.7 | 51.3 |
| 7-16 Dec 2016 | KHAS | 1,000 | 36.9 | 42.2 | 20.9 | 46.6 | 53.4 |
| 15 Dec 2016 | ORC | 2,450 | 61.0 | 39.0 | - | 61.0 | 39.0 |
| 25 Nov - 3 Dec 2016 | Gezici | - | 42.0 | 58.0 | - | 42.0 | 58.0 |
| 1-8 Dec 2016 | The AK Party and the MHP agree on draft constitutional proposals and refer them to Parliament for consultation ^{[49][50]} | | | | | | |
| 30 Nov 2016 | MetroPoll | - | 49.0 | 51.0 | - | 43.3 | 56.7 |
| 26-27 Nov 2016 | A&G | 3,010 | 45.7 | 41.6 | 12.7 | 52.4 | 47.6 |
| 15-17 Nov 2016 | Andy-AR | 1,516 | 47.1 | 41.3 | 8.5 | 53.3 | 46.7 |
| 31 Oct 2016 | The AK Party present their constitutional proposals to the MHP, beginning negotiations between the two parties ^[51] | | | | | | |
| 10-16 Oct 2016 | ORC | 21,980 | 55.9 | 36.2 | 7.9 | 60.7 | 39.3 |
| 11-12 Oct 2016 | Prime Minister Binali Yıldırım accepts the MHP's calls for the AK Party to bring their proposals to Parliament ^[52] | | | | | | |
| 5-12 Jun 2016 | ORC | 2,240 | 58.9 | 41.1 | - | 58.9 | 41.1 |
| 1 June 2016 | MetroPoll | 1,200 | 41.9 | 47.5 | 10.5 | 46.9 | 53.1 |
| 30 May 2016 | Optimar | 1,508 | 49.3 | 41.6 | 9.1 | 54.2 | 45.8 |
| 5-6 May 2016 | ORC | 1,265 | 58.4 | 41.6 | - | 58.4 | 41.6 |
| 25-29 Apr 2016 | MAK | 5,500 | 57.0 | 33.0 | 10.0 | 63.3 | 36.7 |
| 25 Apr 2016 | AKAM | 1,214 | 35.0 | 45.7 | 19.3 | 43.4 | 56.6 |
| 19 Apr 2016 | Gezici | - | 55.2 | 35.5 | 9.3 | 60.9 | 39.1 |
| 2-6 Mar 2016 | ORC | 4,176 | 57.0 | 43.0 | - | 57.0 | 43.0 |
| 27 Jan-3 Feb 2016 | ORC | 8,329 | 56.1 | 43.9 | - | 56.1 | 43.9 |
| 1 Jan 2016 | GENAR | 4,900 | 55.0 | 40.8 | 4.2 | 57.4 | 42.6 |
| 18 May 2015 | Gezici | 4,860 | 23.8 | 76.2 | - | 23.8 | 76.2 |
| 23 Feb 2015 | Gezici | 3,840 | 23.2 | 76.8 | - | 23.2 | 76.8 |
| 3 Feb 2015 | MetroPoll | - | 34.3 | 42.2 | 23.5 | 44.8 | 55.2 |

The Achilles' heel of the YES camp however, is the rift between the leadership of nationalist party, MHP, and its voter base.

It is assessed that around %65 of MHP voters is likely to stay with NO camp, despite the head of the party, Devlet Bahçeli, being supportive of the constitutional change. Also, opposition leaders like Sinan Oğan and Yusuf Halacoglu in MHP have openly made calls to their supporters to vote "NO". They also publicly declared that they are starting their own "NO" campaign within MHP.

The referendum campaigns will therefore focus on swing voters amongst nationalist who can change the faith of the upcoming referendum.



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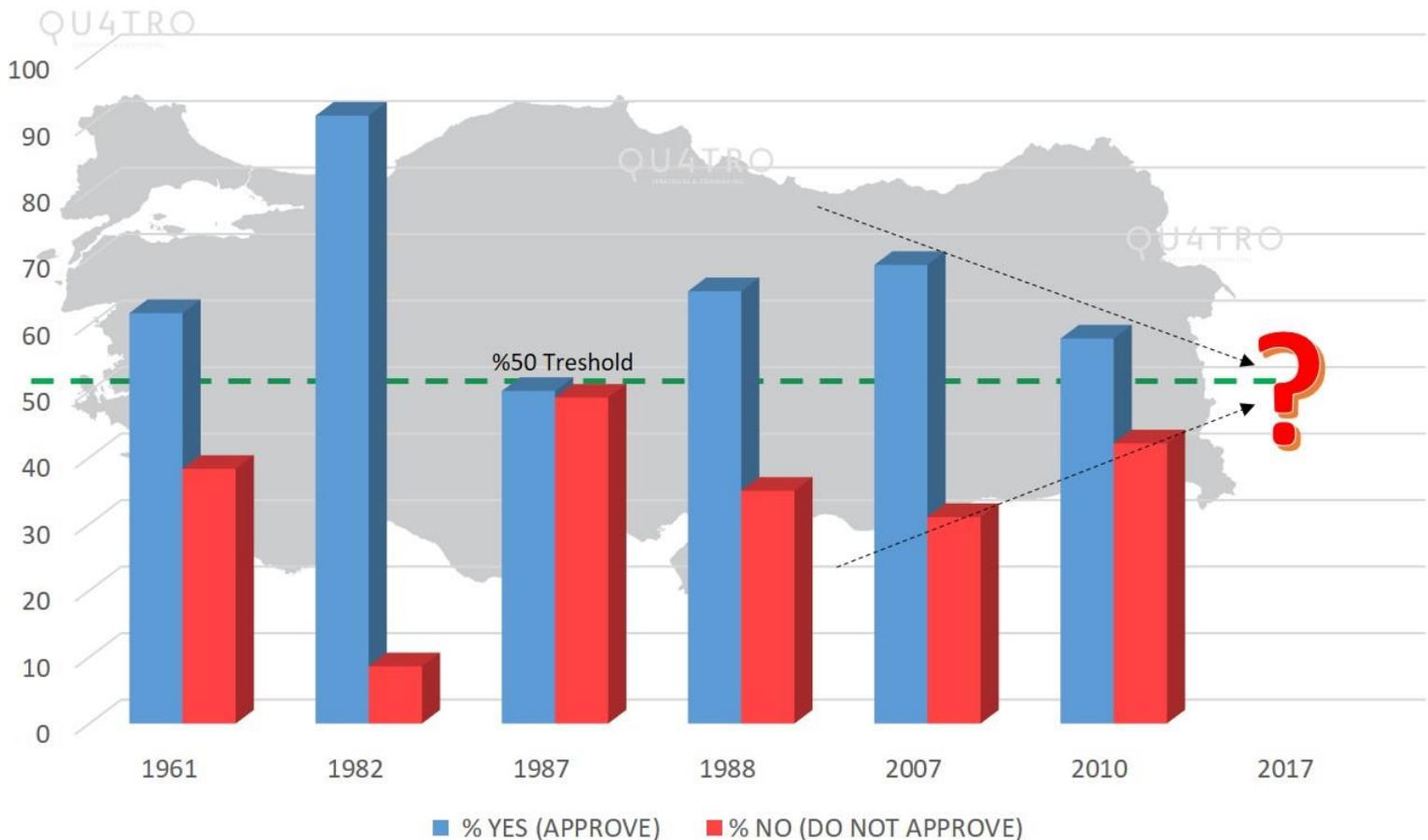
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What is at stake for international business?

An important risk factor and opportunity for Turkey in 2017 will be regime change discussions related to constitutional change.

Turkish voters have gone to the polls five times for referenda since the foundation of Republic of Turkey in 1961, 1982, 1987/88, 2007, and 2010.

CONSTITUTIONAL REFERENDUMS IN TURKEY (1961-2016)



In previous referenda, there has never been a “no” decision, and except for 1987, which was about lifting political bans, “yes” vote has always won by a comfortable margin. However, as people following Turkish politics closely will agree, Turkish voters have a foresight that they don’t use much; but when they do, it brings great change. From this point of view, even the most ambitious surveys about the referendum can be caught on the wrong foot.

As a new social contract, in a Rousseauian sense, the real critical issue here is the possibility of a discourse that may deepen social polarization during the campaign for referendum. If any side takes



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such a discriminative discourse, there will be no winner. Turkey, with its geographic location and high economic fragility, will be impossible to be administered by a constitution/system that 40-50% of the people don't support, which is susceptible of creating more social tensions.

A wide range of social compromise must be met about this issue, and private sector must be active in achieving that compromise. Political and social instability will increase Turkey's economic fragility, and affect economic outlook and consumer confidence negatively.

Critical questions for international business

Regardless of the outcome, this referendum will shape political landscape in Turkey in a profound way that nothing will be the same again in many aspects, including international business. In Referendum 2017 Special Report, we uncover the effects of proposed referendum on foreign companies operating in Turkey to shed light on some critical questions for international business:

- Are there specific actions that foreign companies need to consider ahead of the referendum or be prepared to implement in the aftermath?
- Assuming the referendum is passed, how will the government's decision making process changes in relation to government let tenders and contracts for companies?
- Will anything in the proposed constitutional changes directly affect the bidding/proposal process for their government contracts?
- What are the expected major structural changes to the government and how will this change the flow of communications, decision making centers, and engagement strategies for companies?
- What are the near and midterm goals of this referendum and how will it benefit Turkey?
- Will this change in governmental system materially improve the investor confidence in Turkey by addressing, political risk, security risk, and key economic concerns like inflation, unemployment, and currency risk?

Referendum 2017 Special Report, especially when digested together with our Turkey Outlook 2017 Special Report is the ultimate guide for foreign companies operating in Turkey.

Contact info@quattrostrategies.com for orders.



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The complex nature of contemporary business world presents a range of potential risks, threats and opportunities as well, to governmental, corporate and individual interests. Keeping vast range of factors in mind, QU4TRO provides tailored solutions to give its clients a strategic advantage; hence they can identify opportunities in advance, make sound decisions and manage risks through information that is timely, relevant and actionable."

Founded in 2004 and headquartered in Istanbul since then, QU4TRO serves its clients in 4 core sectors:

Political campaigning for corporate interests. If politics is the "art of the possible", campaigning is the science and art of changing what is possible. As your local partner with global know how, QU4TRO provides campaign strategies and management, media relations, crisis management, strategic communications, micro targeting, political advertising and lobbying.

Government relations. Regular surveys show that CEOs and big corporations alike share one thought: The government relations are key to a company's current and future economic value. QU4TRO supports your relationship with Turkish Government, NGOs, and business associations, which will prove crucial in your future endeavours in the Turkish Market.

Corporate Strategies. Business and politics are usually intertwined and need each other to survive. New developments and future trends in politics affect businesses, and vice versa. QU4TRO helps your business to have political connections, makes your company aware of political developments and builds projections for the future to let you revisit your business strategy.

Risk Analysis. QU4TRO Risk Analysis service provides in-depth analysis and regular risk reporting to individuals, corporations, organizations and governments around the world. By placing events happening in and around Turkey in a geopolitical framework, we help our clients anticipate and exploit opportunities and better understand local, regional and international developments.