

Türkiye: Challenges and Strategies Towards Green Transformation and Sustainable Development

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2013 *Millennium Goals Report* of the United Nations:

“the present dominant model of development is facing simultaneous multiple crises such as depletion of natural resources and the market failures that have already marked the first decades of the current millennium”.

Accordingly, this model has been ineffective in enabling productive and decent employment and has exacerbated the phenomenon of climate change

UNCTAD’s 2019 *Trade and Development Report* further notes that *current trends of resource extraction and consumption patterns are simply not sustainable;*

most of the current industrialization and governance problems originate from the *excessive volatility of speculative financial flows* characterizing the current realm of markets.

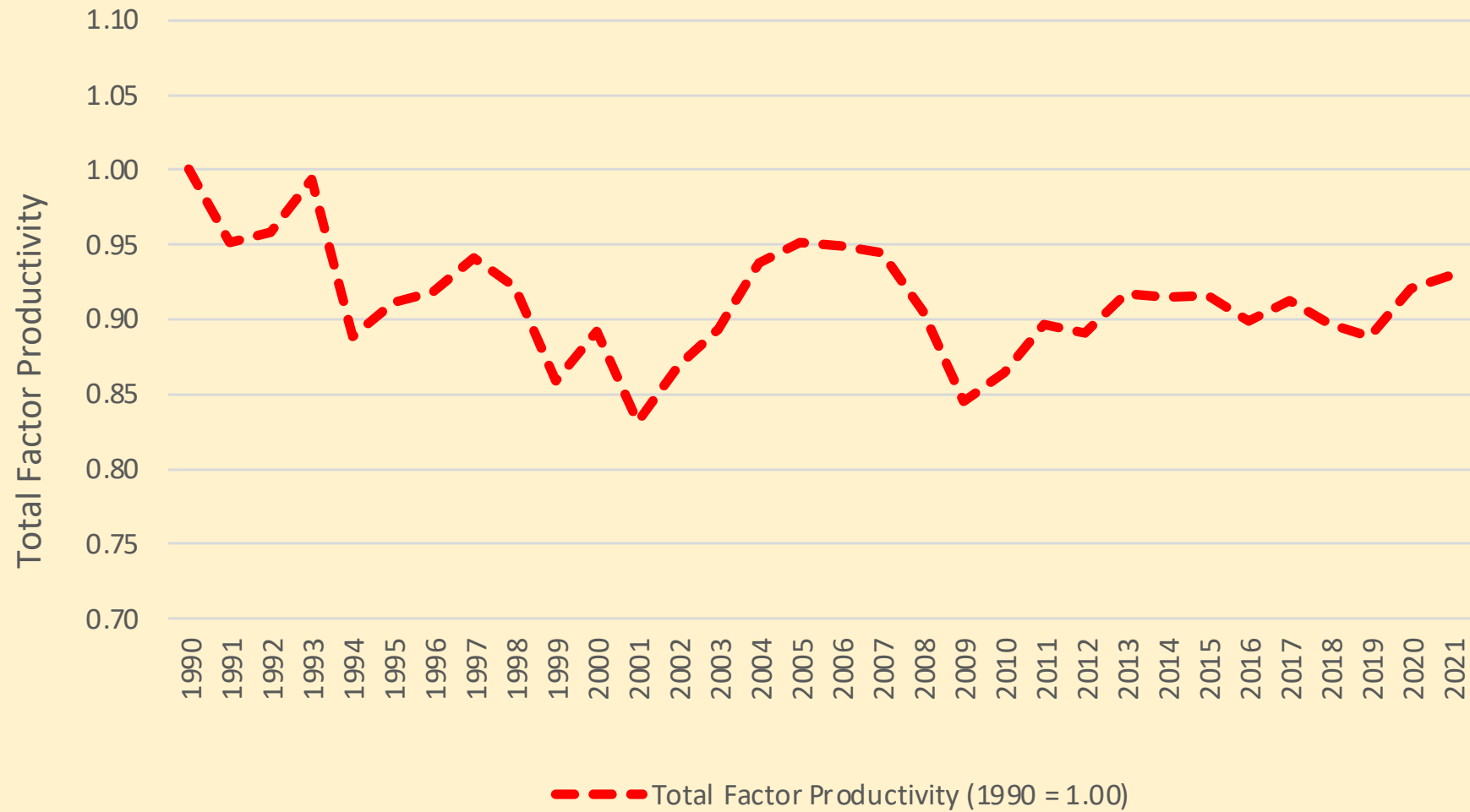
efforts against the looming climate crisis are cast within the shadowy realm of the *age of anxiety* where, led by the hyper-globalization episodes of premature financial deregulation,

- the global economy is excessively financialized and fragile;
- global demand remains weak;
- investment is sluggish;
- and distribution of incomes and wealth is heavily concentrated.

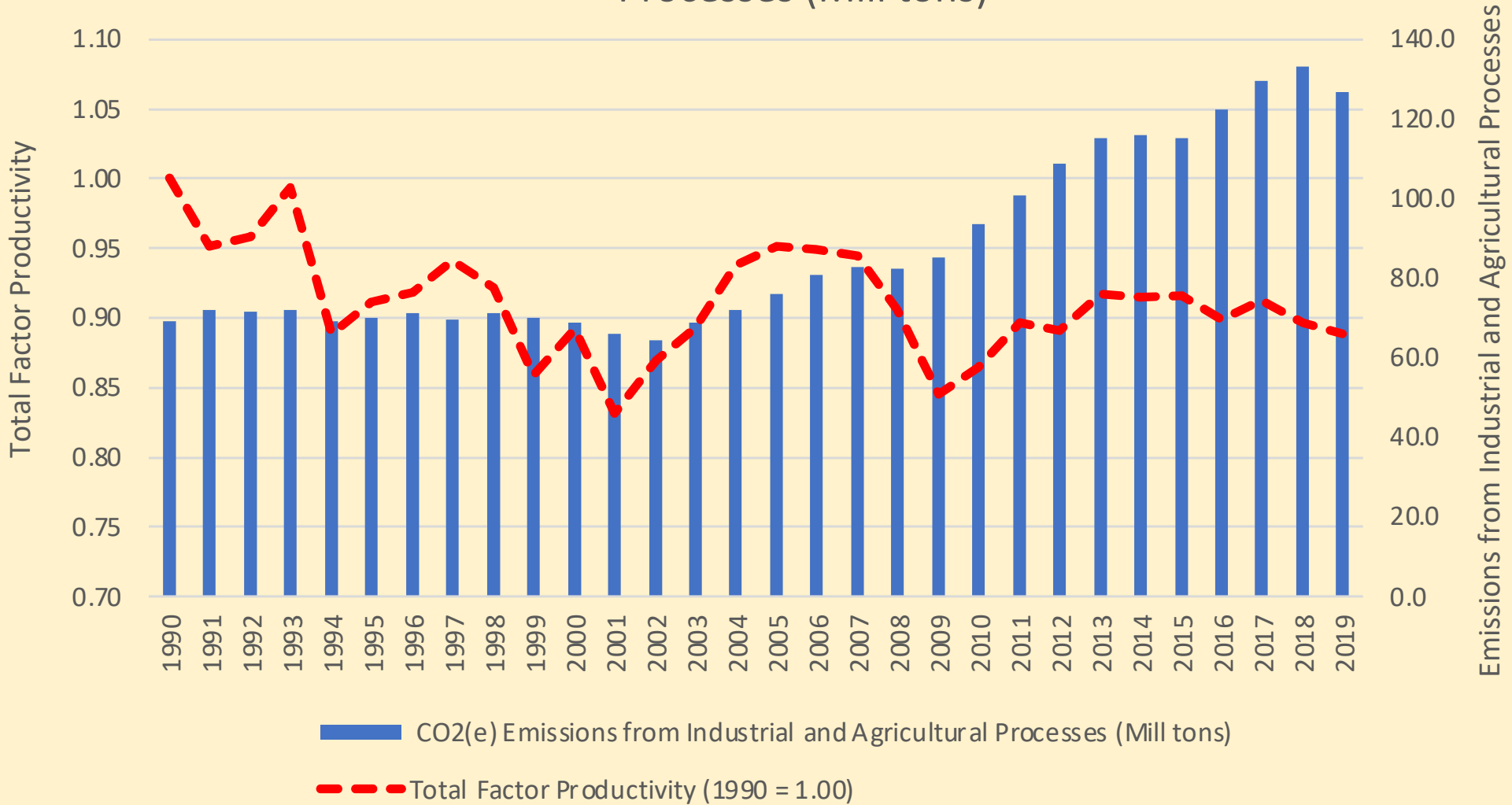
The constraining whims of speculative finance are vehemently observable for Türkiye, where the warranted *de-coupling* between growth and emission reductions is yet far from being realized.

... the main purpose of this presentation is to investigate the key challenges and the underlying structural constraints Türkiye faces in its potential green transformation, and to discuss its viable policy proposals against this challenging background.

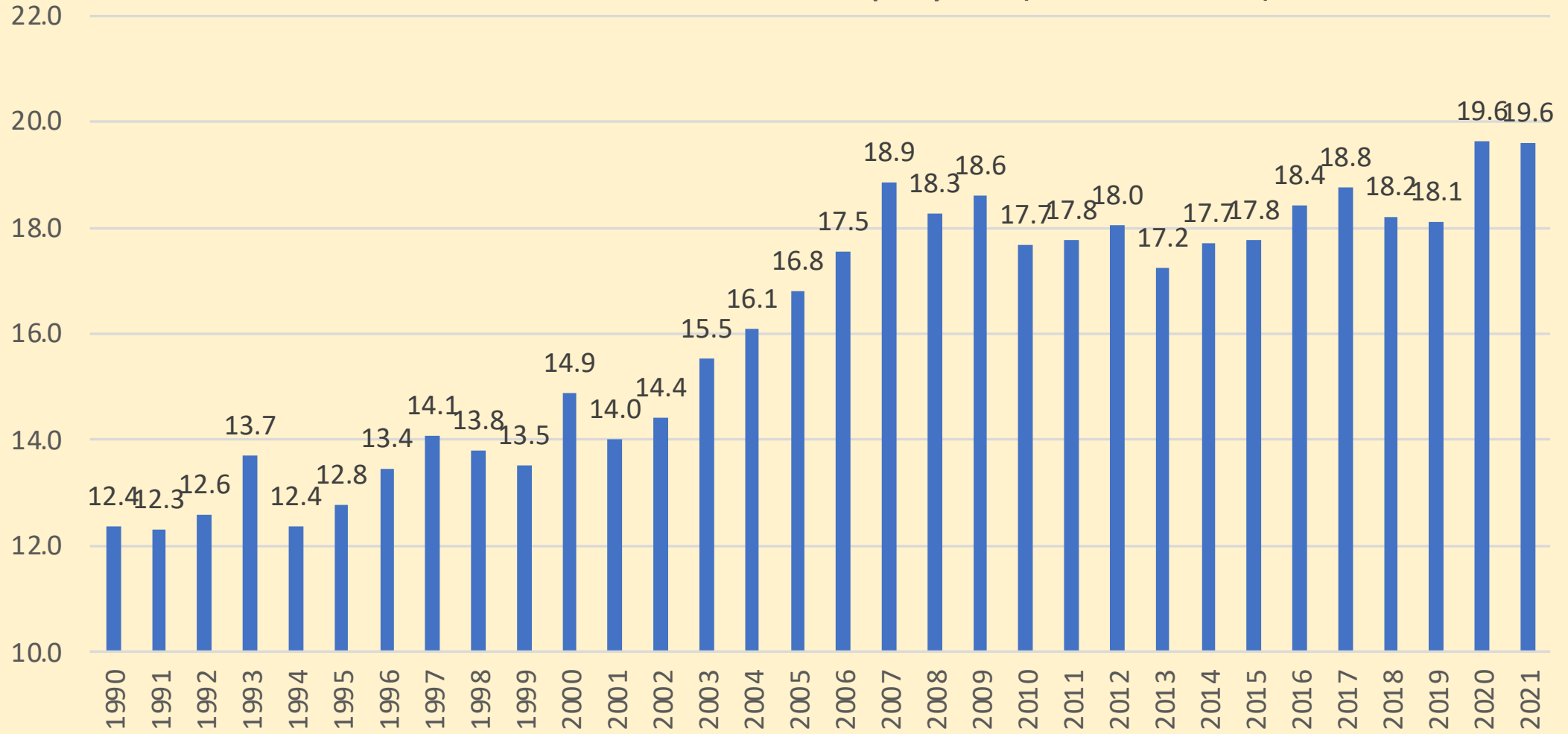
Turkey: Total Factor Productivity (Index 1990=1.00)
and Emissions from Industrial and Agricultural Processes (Mill tons)



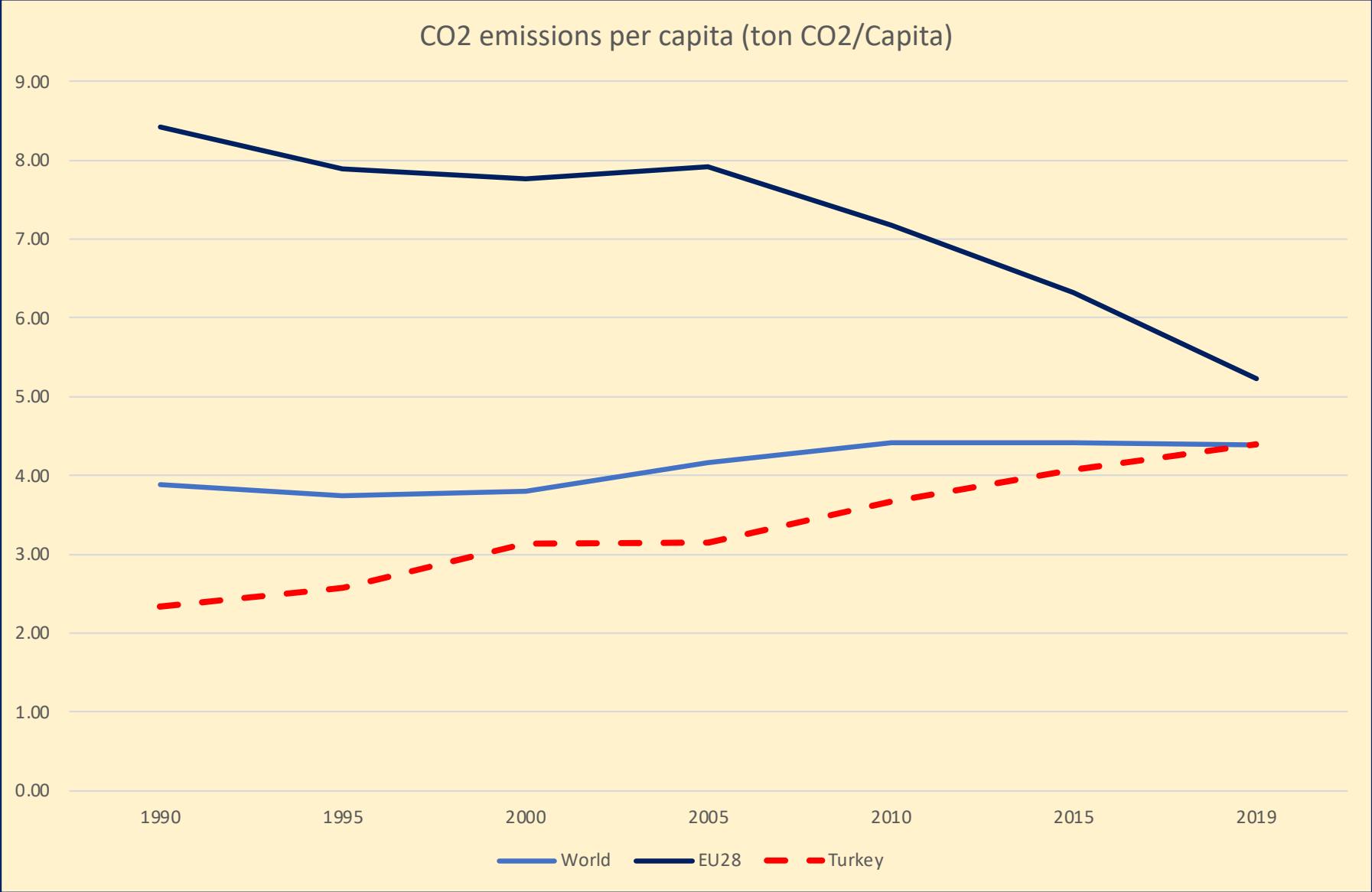
Turkey: Productivity and Emissions from Industrial and Agricultural Processes (Mill tons)



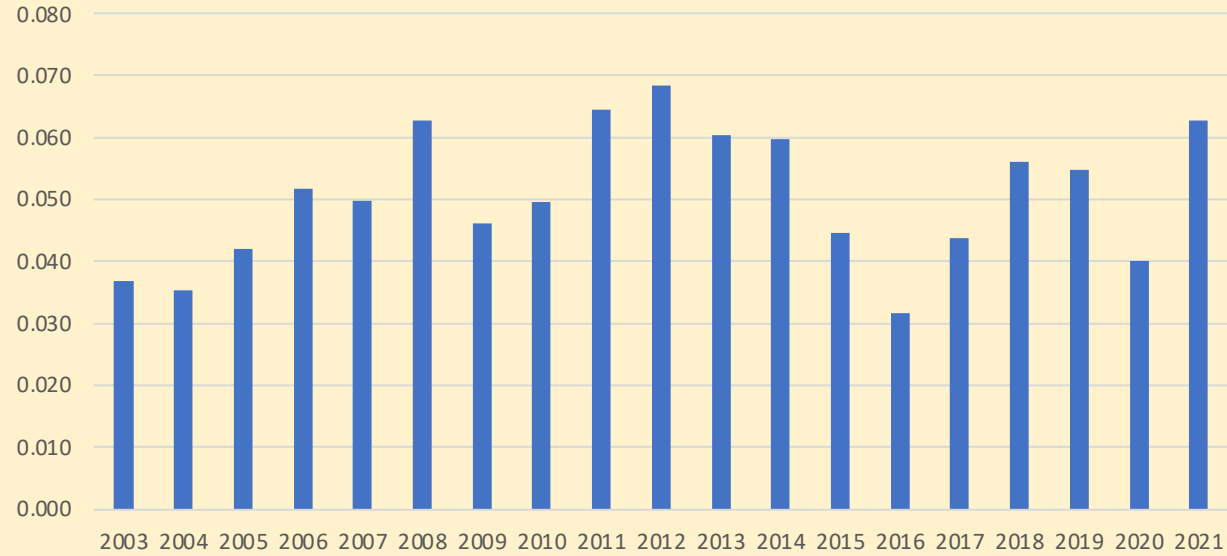
CO2 Emissions Per Worker Employed (tons/worker)



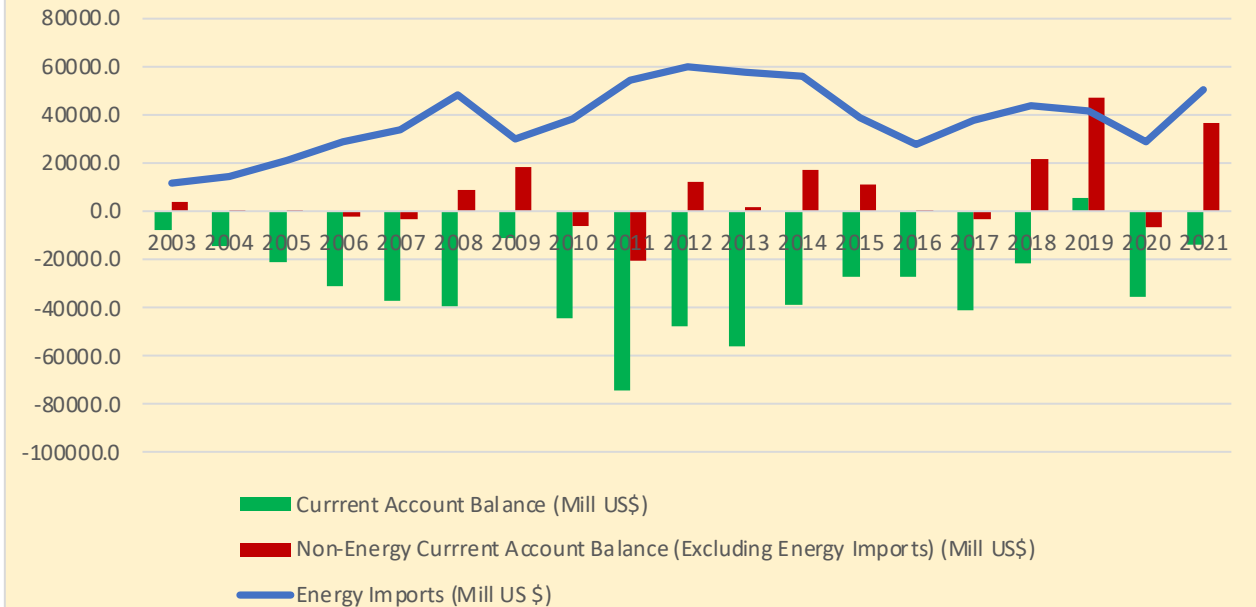
... as a result, Türkiye's emissions per capita remains on an upward trend



Energy Imports Per \$GDP



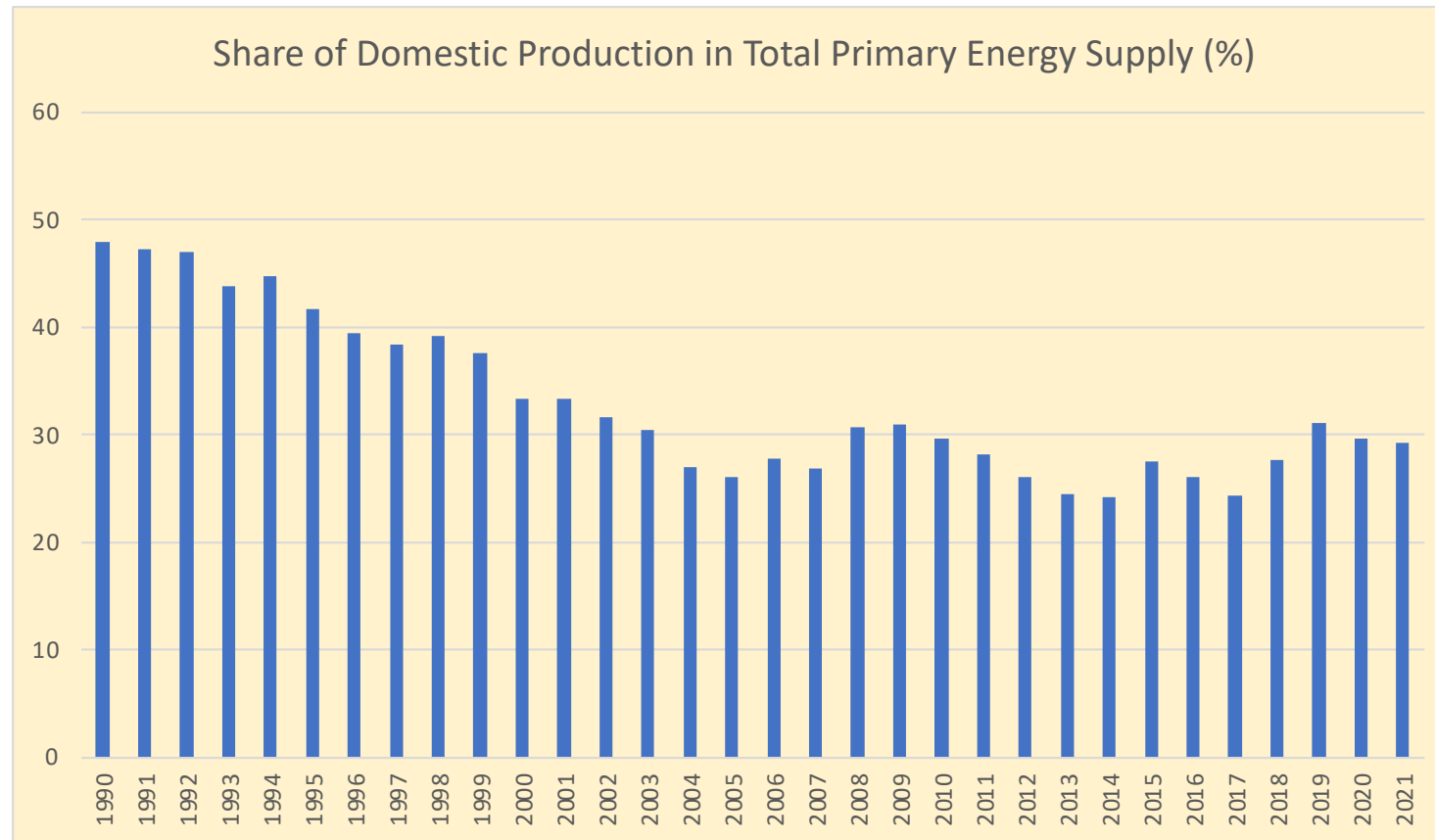
Energy Imports and Current Account Balance (Mill US\$)



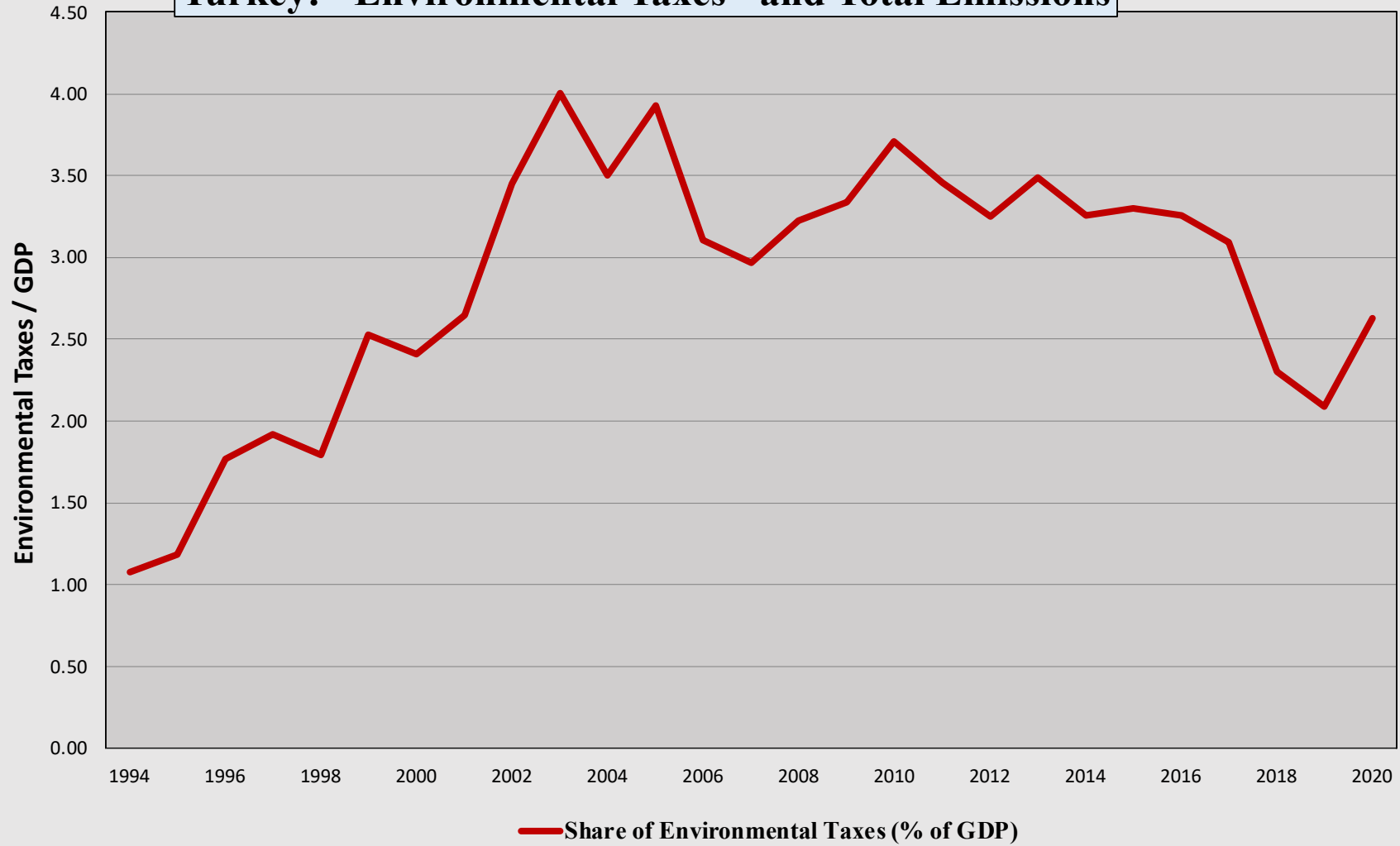
excerpts from the lands of mythology:

Türkiye is an energy-deficient economy;
it needs foreign capital,

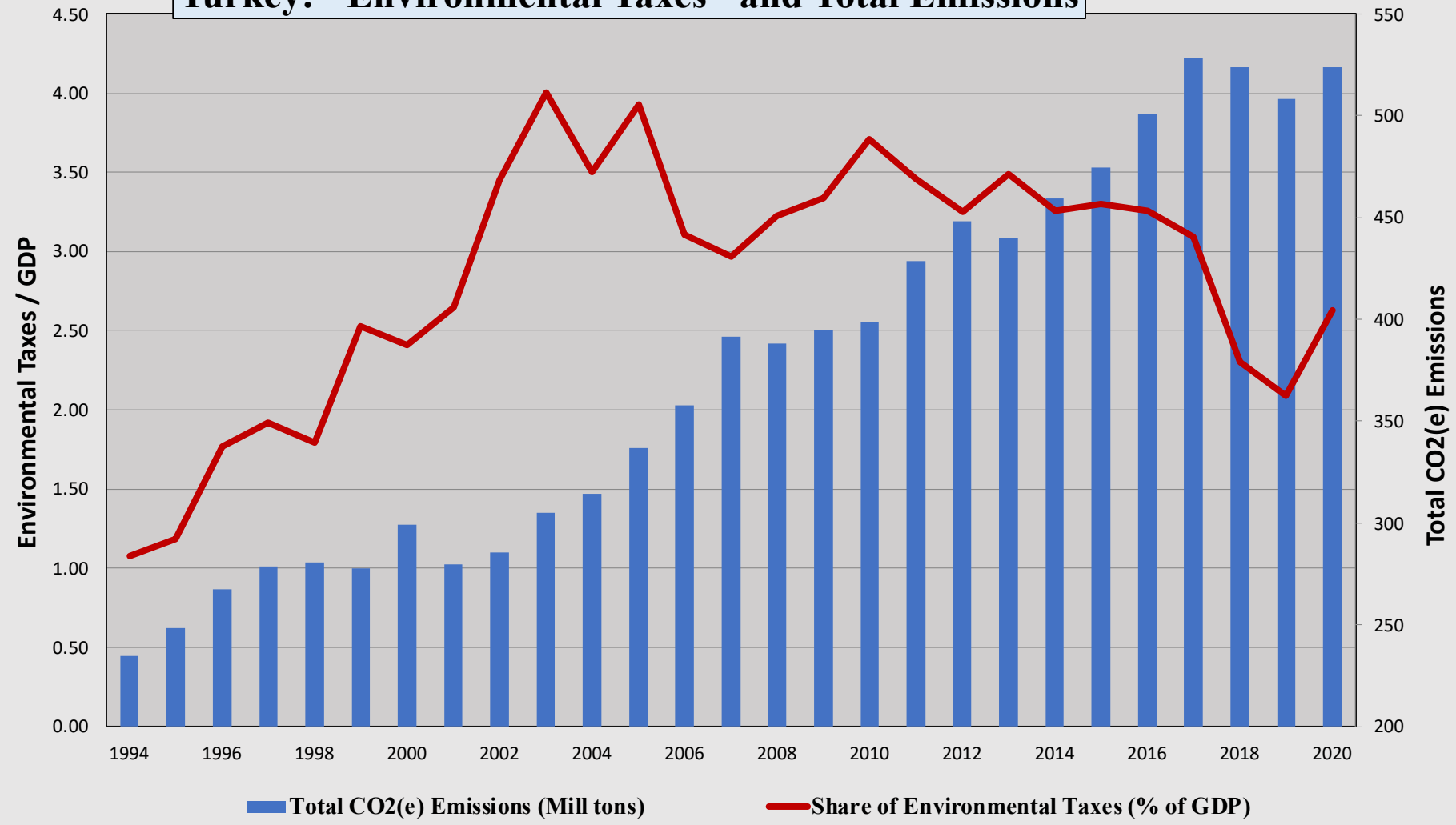
we must ***throw a welcome party for foreign finance....***



Turkey: "Environmental Taxes" and Total Emissions



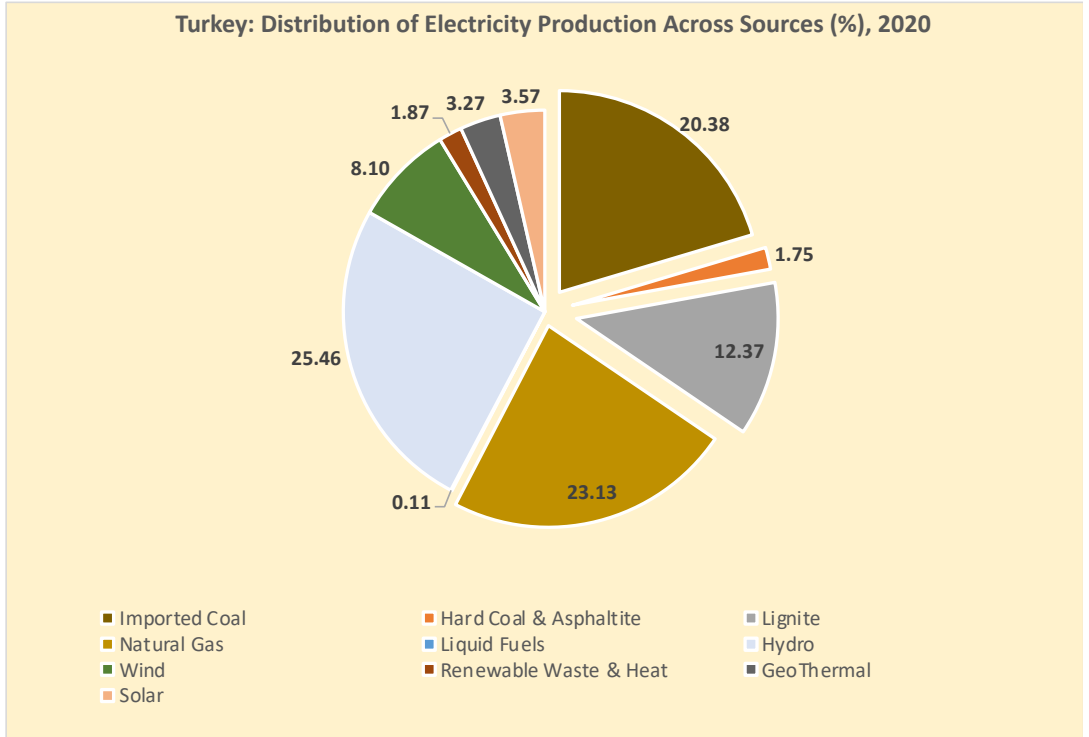
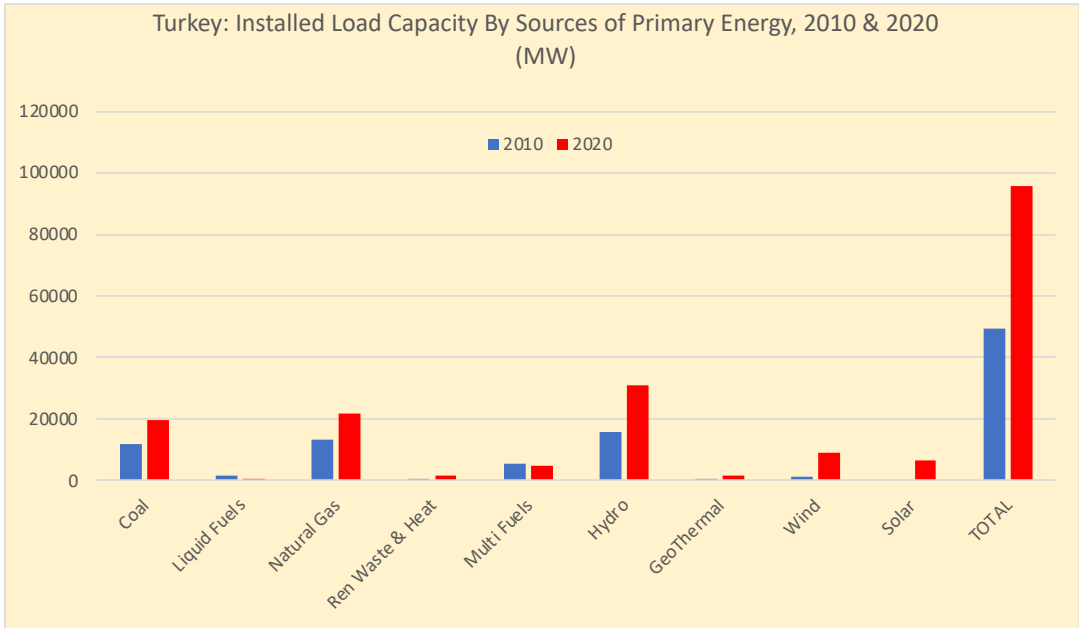
Turkey: "Environmental Taxes" and Total Emissions



Excess Payments and Subsidization of the Private Power Plants (Billions TL)

	2018	2019	2020
YEKDEM Payments in Excess of Average Market Clearing Price	11.60	16.92	25.35
Payments in Excess of Average Market Clearing Price for Domestic Coal Plants	0.96	2.02	2.17
Capacity Mechanism Payments	1.41	2.00	2.20
Investment Subsidization for Natural Gas Power Plants	4.13	1.52	1.50
TOTALS	18.10	22.46	31.22
memo items :			
As % of GDP	0.48	0.52	0.62
As % of the Gross Market Clearing (MCP) Value	29.98	34.21	43.75

Source: Chamber of Mechanical Engineers, 2022.



The macroeconomic outlook puts a binding structure on Türkiye's potential energy transitions. Trapped within the constraints of increasing and heavy reliance on (imported) fossil-fuel based production and consumption patterns which, in turn, had limited domestic substitution possibilities.

The conditionalities of this dependent and fragile structure were further intensified in the past few years. Conditioned by an over-zealous quest for short term profitability and rent-seeking, the main outcomes had been a fragmented labor market along with dualities and wide-spread gaps in resource allocation, and intensified foreign dependence on energy resources.

This leaves not only Türkiye, but almost the whole developing world within a dilemma, which can be stated in the words of UNCTAD (2021) “*of having to pursue economic development while keeping emissions and resource consumption within the ecological limits of the planet*”

the *first* step ought to be a revitalizing of the *fiscal space and its instruments*. Fiscal policy will need to be re-balanced in favor of a low-carbon economic structure, where not only fiscal expansion but also a *re-orientation away from fossil fuel-based activities* to decarbonization. This should entail *removal of direct and implicit subsidization* of the fossil economy, in particular coal.

A *paradigm shift in monetary policy* must be an indispensable component of the new strategy. The neoliberal dogma of *passive monetary policy of inflation targeting regimes* that had *de facto* transformed the indigenous central banks of the developing world to merely play the role of an accounting agency of global finance capital has to be abandoned.

Especially under the post-Covid transitions, *central banks will have to shift towards a more active policy stance* that is more engaged with elimination of structural bottlenecks rather than market neutrality in their pursuit of price stability along with esoteric communication languages.

It is my contention that the main premise of viable *green industrialization strategy* should include:

- transition from fossil fuel-based production to sustainable and renewable forms of energy, industry and agricultural activities;
- addressing informalization and fragmentation of labor markets and installation of decent job programs;
- addressing wide imbalances of incomes and opportunities across not only wage labor and capital or the regional sphere, but also over gender, ethnicity and all forms of social exclusion;
- granting a realistic role to the states in resource mobilization and resource allocation within principles of social evaluation, rather than myopic expectations of the oligopolistic markets.

Finally, the main message as distilled from almost two hundred years of successful development transformations is to invigorate a mechanism of *crowding in* of private initiative where capital accumulation is directed under *democratic planning* which supports *structural transformation* and the *generation of green employment*.