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The New Cabinet: Whose Decisions Matter for Business

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Prime Minister Binali Yildirim had announced the cabinet reshuffle on July 19, 2017, following his meeting with President Recep Tayyip Erdogan. The Prime Ministry decree published in the Official Gazette yesterday gives a deeper understanding of the new balance of power within the government.

The decree provides information about the roles and responsibilities of the ministers, who are expected to take part in the government until the next presidential election slated to be held in November 2019. The performance of the economy and security institutions will play a crucial role in the electoral success of the ruling Justice and Development Party (AKP) government. Therefore, the distribution of roles and responsibilities within the government is a key indicator of which policies will be implemented in the run-up to the elections and how they could impact the business environment.

There are four key insights that deserve special attention:



- **Yildirim still at the helm:** Given his long-standing loyalty to President Erdogan and administrative capabilities, Prime Minister Binali Yildirim is once again entrusted with the role of coordinating the key governmental institutions, including the general secretariat of the National Security Council (MGK), the National Intelligence Organization (M■T), the Housing Development Administration (TOK■), Savings Deposit Insurance Fund (TMSF), the Turkish Wealth Fund and the general secretariat of the Promotion Fund. Known for his positive relations with the private sector, Mr. Yildirim had long coordinated giant investments and infrastructure projects, as the former Minister of Transport, Maritime Affairs, and Communications.

- **Simsek in partial control of the economy:** Known with his financial management skills and international reputation, Mehmet Simsek has been given the role of deputy prime ministry in charge of coordination of the economy. However, the fact that TMSF and newly founded Turkish Wealth Fund – the two key institutions that are closely related with the private sector - will be under Prime Minister Yildirim's authority raises questions about Simsek's role as the sole coordinator. Moreover, it is still unclear who will oversee the two regulatory institutions, namely Banking Regulation and Supervision Agency (BDDK) and the Capital Markets Board (SPK). Nevertheless, Mr. Simsek has increased its political role in the economy compared with the previous cabinet. It should be noted that Mr. Simsek will continue to chair the Economic Coordination Council, a key body within the Treasury that oversees economy policies.

- **Akdag to improve investment environment:** Former Minister of Health Recep Akdag, who served more than a decade and considered as playing a key role in AKP's electoral success between 2002 and 2013 as a result of the health reforms, is now responsible for improving the investment environment. Akdag is also responsible for ISPAT (Investment Support and Promotion Agency of Turkey). This allows him to assist and direct foreign companies with their investments and possible problems they face.

Isik's key role in reforms and investments: Former Minister of National Defence Fikri Isik has been promoted to the deputy prime ministry position and is given the task of coordinating the reform agenda and investments. Mr. Isik had played a significant role and gained President Erdogan's trust during critical periods, such as failed coup attempt in 2016. Given his experience in transforming the Turkish defense industry by mainly building public and private partnerships, Mr. Isik is expected to take create the same approach for other sectors.

The analysis above provides to StratejiCo.'s highlights of the roles and responsibilities within the Turkish government, **only with regards to their impact on the private sector.** A full account of the decree can be found in the Official Gazette.

Comment & Questions We would like to hear your thoughts on this report. Please get in touch with us.

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