

CHAPTER 1

INTRODUCTION

1.1. Research Background

The development of dynamic World was marked with the increasing of the global economy that all countries have the desire to increase their economy in order to compete with another country in the global market. The Turkish economic was always affected by the various dynamics in global economy. The growing issues in 2008 are the crisis of economy of European countries that impact to countries who have relations with European Economic Cooperation. One of them is Turkey. Turkey is a country which has a special relationship with the European Union since it is the rawest materials supplier to several countries in the EU such as Germany, the United Kingdom etc. The condition of afflicting Europe has triggered a global crisis and it will negatively impact the actual active countries export to the EU countries.

Relations between Turkey and the European Union are very tight and the EU is one of the countries with the largest importer of Turkey after China. Such as Germany, caught a glimpse of Products that existed in Turkey. It will be seen as the magnitude; a product that comes from Germany. In addition, Turkey is also the biggest supplier of raw materials that Germany has long strained relations cooperation between the two. The onset of the crisis should have been anticipated by the Government of Turkey.

In the dynamics of the economy of Turkey, it has already two periods of the economic crisis facing Turkey. One of the causes of the crisis is instability on domestic and international revenue. The growth rate of GDP dropped to 0.7% in 2008, when the effects of the crisis started to be felt, and Turkey's economy further declined at a rate of 14.3% in the first quarter of 2009. In 2009, Turkey's exports decreased by 13.2% and unemployment

which is one of the main structural problems in this economy, reduced to 14.3%.¹

After the end of the economic crisis in 2001, Turkey managed to get out of its economic slump towards the transition program with a strong economy that reached an agreement with the IMF and the move to stable economic periods. Between the years 2002 and 2007 GDP was increased. Turkey reached an annual revenue of 7.8% and the Government had an important role in increasing certain sectors of the public and controlling inflation by imparting the nature of economic transparency. In this context, the international financial crisis that had cornered the economy of Turkey in 2008-2009 which forced Turkey to resolve its economic crisis of its own.

The global crisis surfaced at a time when the Turkish economy was already showing signs of changing direction from its earlier path, as demonstrated by slowing economic activity since the second half of 2006 and rising unemployment. The lowest quarterly growth since 2002 was recorded in the third quarter of 2008 (0.5%). The non-agricultural unemployment rate surged to 14.0% in 2008 from 12.6% in the previous two years.²

Turkey faced a crisis from the United States and the European Union. Turkey was required to resolve the financial crisis by resting on the policy to increase the GDP of the country to reduce the impact of the crisis. This crisis was the worst crisis faced by Turkey during the twice crisis period.

The impact of the financial crisis in Europe against Turkey was of magnitude through trade especially in Turkey's exports directly or indirectly, because of Turkey's main export markets is mostly to the European Union. With the decline in demand from Europe then the Government must looking for new markets to divert exports its products so that the crisis can be solved in significant.

¹ Rem Yendi, "The Turkish Economy and The Global Crisis". International Business, Research, Teaching and Practice. 2012. p. 54

² Akyuz, Abdullah, 2009. "Political Economy of Turkey: In Search of Stability Amid Domestic and Global Crisis. www.brooking.edu/cuse. Hal. 4

Since the level of magnitude of Turkey's export towards the EU, export performance resulted in Turkey depends on the conditions of the European countries requests. Declines and the weaknesses of the economy to members of the EU have an impact to export Turkey and manufacturing as depreciation. Turkey's trade relations with European Union decreased in line with the crisis. The current account improved macroeconomic data, deteriorating, Turkey has been affected by the bad from this crisis with negative growth rates, rising unemployment, and poverty.³

According to the report of Turkey to the OECD, the post-crisis period is an opportunity for Turkey to implement structural reform that is delayed to reduce dependence on foreign financing, and reduce the unemployment rate that is still high. Structural reform should focus on education, reform the labor market and industrial policies that encourage domestic production.⁴

The EU and Turkey need each other let alone both sides have healthy trading partners over the past few decades. Turkey is the country with the fourth largest export destination and fifth largest importer for the European Union. As for the main destination countries, Turkey's exports are Germany, the United Kingdom, Iraq, Italy, and the United States. While for Turkey, the European Union is the main market of the products of the land. Turkey aimed at export 44.5 percent to the European Union followed by Iraq, the United States, Switzerland, the United Arab Emirates and Iran.⁵

³ Bertelsmann, Stiftung, 2010, Turkey Country Report: Managing the Crisis. Hal.16 www.bertelsmann-transformation-index.de/crisis diakses tgl. 28 Agustus 2017

⁴ Rem, Yendi, 2012. "The Turkish Economy and The Global Crisis". International Business, Research, Teaching and Practice. P. 56

⁵ Organization for Economic Cooperation and Development: Economic complexity of Turkey. [Http://atlas.media.mit.edu/en/profile/country/tur/](http://atlas.media.mit.edu/en/profile/country/tur/) diakses tgl 20 April 2017

The Top Export Destination of Turkey to European Countries

No	Export destination	Total Export
1	Germany	9.9%
2	United Kingdom	7.9%
3	Italy	4.8%
4	France	4.7%
5	Switzerland	4.0%
6	Spain	3.4%
7	Russia	2.5%
8	Poland	1.8%

Sources: *OECD, 2010*

Turkey per-capita income decreased in 2008 that was caused by the crisis. 2008-2009 was the period in which Turkey was very slumped with their economy. It was only in the year 2010 Turkey slowly managed to improve its economy and even exceeds economic growth in countries with over Turkey. The crisis has a negative impact on countries in the European Union and for Turkey in particular. In the period of crisis before Turkey successfully emerged from a slump during the years 2002 to 2007 Turkey was able to stabilize revenue per average GDP-6.8% per year. The percentage decline since the crisis struck Europe.

On the elections in 2003, the AKP Party (Adalalet ve Kalkinma partition, the justice, and development party) was the Islamic-based party surprisingly won the elections that year. In general, the AKP Party powered the economy of the country, and was led by Recep Tayyip Erdogan alongside Abdullah Gul as the founder of the party calculated from 2003 to date. Turkey's any economic intersection rides down the face of some of the

problems the world economy that is changing every year.

It is noted that the economy of Turkey has increased after the crisis in 2001. In the year of 2002 to 2007, Turkey had succeeded in stabilizing their economies out of the global crisis by trying to be one of the few members of the European Union. Any policy is applied to the creation of a good economy.

The brilliance of AKP harked back to early legislative elections repeated in year 2007.⁶ Party leader Recep Tayyip Erdogan, now holds the strategic offices, i.e. the Presidency occupied by Abdullah Gul, Prime Minister Erdogan was occupied by and controlled a majority seats in Parliament after the elections of July 2007.⁷

Turkey is one of the countries with a very good economic growth. In 2010, Turkey's economic growth reached 11.7%. The last few years Turkey is included in countries with economic progress that the foreign exchange reserves of 17 of the world and ranked 6th in Europe. The impact of this positive growth, the financial center of Istanbul, Turkey, the US is now the number 4 of the the world (after New York, Moscow, and London). The total turnover reached up to 28 billion dollars. Currently, Turkey has also become the country's exporters of agricultural products, textile, motorcycles, transportation tools, materials transportation, construction materials, electronic and household appliances.⁸

As one of the countries affected by the crisis in Europe, the Government of Turkey needs a strategy in tackling the crisis. With the decline in demand from the European Union, it will affect the economy of Europe with Turkey as the main export destination country by Turkey. These negative impacts will attack Turkey with a large number of unemployed as

⁶ "Political Parties and Election System", <http://www.turkishembassy.org.>, akses tanggal 22 Juli 2017.

⁷ Ozel, Dosyalar, "Turkey: 22 July 2007-Election Results." <http://www.bbc.turkish>. akses tanggal 22 Juli 2017.

⁸ Dzakirin, Ahmad. *Kebangkitan Pos-Islamisme: Analisis strategi dan Kebijakan AKP Turki Memenangkan Pemilu*. Solo: PT Era Adicitra Intermedia. 2012. p. 240-244

well as reduce employment and poverty becomes a serious problem along with the onset of the crisis.

The economic crisis faced by Turkey is in common with the history of economic development of the Prophet while leading Medina. This history explains the strategies of Prophet in tackling the crisis faced by the Muslims when the Prophet and the companions did Hijrah to Medina where the economy was still controlled by Jews who monopolize their market. This circumstance made the economy of Medina needed improvement and economic development in line with building an effective Government for the passage of the new Government which wheel set all regulation of the life of society.

Lifting of the Muhammad as the Messenger is a new era for the history of mankind. When the Prophet in Makkah was assigned to strengthen the Foundation of religion, named the Islamic Aqidah, the Messenger was just preaching and as leaders of religion. The State of Medina was chaotic when first the Messenger and his companions migrated from Makkah. Medina had yet to have a leader who was sovereign when the economy was still weak, and Medina leaning on agriculture.⁹

History reveals that the Messenger has managed to build the economy of Medina and took out of the capitalist system and be respected in the country's economy and politics. His leadership in the fast-growing Medina. Within ten years, Medina became the great country than other countries in the Arabian Peninsula.

The Prophet put the economic and fiscal system of the country in accordance with the teachings of the Qur'an. The principle of Islam can be used as a pivot in the worldly affairs including in Economic Affairs is the highest power is merely God's (QS, 3:26, 15:2, 67:1) and man was created as the Caliph of his upfront Earth (QS, 2:30, 4:166, 35:39), in lieu of God in the face of the Earth to be managed well. The prosperity of the world is

⁹ Karim, Adiwarmarman Azwar. (2006). Sejarah Pemikiran Ekonomi Islam. Edisi Ketiga. Jakarta: Rajawali Press. p. 195

the gift of God and a man of mere will reach his salvation when using such prosperity well and can provide benefits to others.¹⁰

This study focuses on the strategy of the Government of Turkey in tackling the impact of the global crisis that hit Europe in 2008-2009 and to compare with the strategies of Rasullah in the developing economy of Medina. Cooperation done by Turkey with advanced countries in economics is very influential in improving economic growth in Turkey, starting from the cooperation with Iran in the import of natural gas to the defense cooperation with Russia in the fight against Syuriah. These strategies are similar with the strategies of Prophet in the developing economy of Medina by leveraging the strategic role of the State and a key role in regional politics.

Options of the strategies and motivations of economic development, as well as the form of Turkey's foreign diplomacy, is basically not the same with the willingness of the countries of Europe. Turkey seems to have its own style and scenario, by asking themselves want to get one seat in the European Union, Turkey prefers open diplomacy by playing a stronger role in the Middle East and neighbor to the North, the countries of the former colony Soviet republics and has roots in the same culture and language.

1.2. Question Research

Based on the background above, the question of the problem is formulated as:

How is the correlation strategy of the Turkey's Government in building the economy Post economic crisis 2008-2009 with Strategies of Prophet Muhammad in building the economy of Medina 622-623?

1.3. Framework Analysis

As for the framework analysis that the author use in this research is the application of **Strategy of Prophet Muhammad in building the economy of Medina.**

¹⁰ *Ibid*, p. 196

Strategies of Prophet in the developing economy of Medina is the strategy that carried out the post-Hijra of Prophet from Makkah to Madinah. This strategy States that utilize some of the dominant sectors of the Messenger which belonged to Medina.

The dominant sectors are in the form of:¹¹

1. The utilization of natural resources by expanding the land productive.
2. building new markets as role models the market of Islamic Sharia.
3. Doing political contracts with Arab tribes around Medina.

Strategies of Prophet had in common with the strategies undertaken in tackling economic crisis in Turkey 2008-2009. The utilization of natural resources by expanding the productive land was a strategy first implemented by the Prophet in the developing economy of Medina. The utilization of natural resources owned by Medina based on partnership with the House of emigrants and Ansar in managing resources were inadequate. In addition, the Messenger was also building a new market as role models market the Islamic jurisprudence. This market is finally breaking down the capitalist market system justifies Jewish usury in the economy. The last strategy was conducting a political contract against the Arab tribes around Medina. This strategy was the way of the Prophet in Medina with geographical harness that played an important role in regional economic cooperation to be able to do the export and import of goods to the income shortfall of Medina.

This strategy has in common with the strategy that applied to Turkey in tackling the impact of the economic crisis 2008-2009. Turkey's strategy is increasing the proportion of industrial production factors and search for new markets instead of the traditional market in this case is Europe. with the decline in demand from Europe, Turkey seek new markets to increase exports as the action in reducing the impact of the global crisis.

¹¹ Abd al-Mun'im (1981), *Mujtama` al-Madinah: al-Ijtima` al-Hadari*, Beirut: Dar al-Nahdah al-`Arabiyyah, p. 329

1.4. Thesis Statement

Based on the assumptions that correspond to a framework analysis, "the strategy that is applied to the Government of Turkey in boosting post-crisis economic growth 2008-2009, have in common with the strategies of Prophet Muhammad in building the economy of Medina".

Turkey as part of the European market, when a crisis happens in Europe than demand from European reduced, in 2009 dropped to 26 percent. In line, Turkey increased their economy in the export sector to the African countries.

1.5. The Range of Research

Limitation in the scope of this is done with the aim of achieving maximum results. In this thesis, the author limited the problems where the focus of the European crisis explained the impact to Turkish trade and reducing that negative impact and Government efforts against the trade crisis.

The range of the research in this thesis is in 2008 up to the year 2012 because European crisis began in late 2008 and to date the crisis still afflicting Europe, but does not shut down the possibility of a range of research under the year 2008 for the sake of completing this thesis.

1.6. Research Methods

The Comparative analysis method was used in attempt to compare between Turkey's strategy in tackling the crisis with strategies of Prophet in the developing economy of Medina. This comparison was intended to search and finding common ground between the two strategies. This method, which was in use to find similarities and differences about a thing that exists in a work about the procedures, ideas, criticisms of people, groups, against an idea or a work procedure.

While the data collection method used was a library research. Library Research is looking for a wide range of information, news analysis, concepts of experts thought the result embodied in books, journals, articles,

the internet, print-related themes. Therefore, analysis methods of the data to use was contextual and categorical methods.

1.7. The Purpose And Benefits Of Research

As for the research is aimed to:

1. Analyze factors of the economic revival of Turkey in the midst of the economic crisis Europe in 2008-2012.
2. Observe how strategies of Prophet in organizing early economy of Medina
3. Academically, this research aims to apply the theories that have been learned in writing scientific papers.

As for a benefits of this research are:

1. Providing knowledge about how Turkey economic relations with countries in Europe and how the European crisis affects economies against Turkey.
2. Knowing the strategies and policies of the Government of Turkey in increasing their economy.
3. Providing knowledge about the role of the Prophet in overcoming the conflicts of the economy at the beginning of the reign of Medina
4. Adding new knowledge about the correlation of Prophet's strategies with Turkey in response to the impact of the crisis 2008-2009
5. Providing knowledge for countries in building an economy with strategies of Prophet Muhammad

1.8. Systematics Of Writing

To make it easier to discuss problems in the writing of this thesis has been compiled systematic writing as follows:

CHAPTER I introduction Advanced consists of the reason of titles selection, research objectives, background issues, the principal problem, the basic framework of thinking, hypothesis, research methods, research outreach, purpose and benefits of writing, review writing and Systematics of writing.

CHAPTER II explain the crisis of the European economy that includes the cause of the crisis, a domino effect of crisis against countries of the European Union, the impact of the crisis againsts the trade of countries outside the European Union and the action and response it. Discusses the impact of the European crisis toward direct trade Turkey-EU

CHAPTER III discusses the strategy of Turkey's Government in facing the EU crisis

CHAPTER IV Analyzes of the strategies of Prophet in the developing economy of Medina

Chapter V is the closing from this thesis contains conclusions.

1.9. Literature Review

There are some researches that ever raised the theme of the economic development of Turkey, but more detail to bilateral cooperation with Iran and the thesis about the economic development of Turkey's financial capital flows and economic growth in Turkey in 1999-2008. The thesis discussed the economic development of Turkey one of them written by Waliyuddin entitled of "Turkey's Energy Cooperation with Iran during the reign of Adalet ve Kalkinme Partiton (AKP)", and the thesis written by Muammer Komurcuoglu entitled "Financial Capital Flows and Economic Growth: The Turkish Case".

Waliyuddin thesis tried to explain the reasons why Turkey maintained cooperation with Iran, but such cooperation was less advantageous for Turkey and also had political risks. In addition, there were still countries import new ones such as Azerbaijan and Algeria that would replace the position of Iran. While the second Thesis described financial capital flows and economic growth before the global crisis of 2008 Turkey.

There is also research on "political strategy of Islamic Economy" which was written by Sri Sudiarti that described the political economy of Islam gave positive bargaining power for acceleration of economic development through business partnerships with small and medium

businesses by developing the real sector in the fields of agriculture, industry, trade and services need to be continuously performed for the acceleration of economic development.

This research has differences with what has been described by the above thesis. when the thesis above more shows why Turkey maintain their cooperation with Iran and Turkey's economic growth before the global crisis, this research more focus to Turkey's economic development strategy when the global economic crisis that hit Europe in 2008-2009 and compare to strategies of Prophet Muhammad in building the economy of Medina with a way to move the export market, strengthen industrial and production factors played an important role in regional cooperation and political space with African countries as a form of overcoming the European economic crisis.