

# BTI 2012 | Turkey Country Report

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scale: 1 (lowest) to 10 (highest)    score    rank    trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

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**Key Indicators**

Population	mn.	<b>72.8</b>	HDI	<b>0.699</b>	GDP p.c.	\$	<b>15321</b>
Pop. growth <sup>1</sup>	% p.a.	<b>1.3</b>	HDI rank of 187	<b>92</b>	Gini Index		<b>39.7</b>
Life expectancy	years	<b>73</b>	UN Education Index	<b>0.583</b>	Poverty <sup>3</sup>	%	<b>9.1</b>
Urban population	%	<b>69.6</b>	Gender inequality <sup>2</sup>	<b>0.443</b>	Aid per capita	\$	<b>18.2</b>

Sources: The World Bank, World Development Indicators 2011 | UNDP, Human Development Report 2011. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

## Executive Summary

Turkey is the only Muslim majority country with an explicitly secular political system. Its institutions operate with reasonable efficiency and in line with its constitution. In comparison to other countries in the Middle East, the democratic rules of the game function rather well, and elections are free and fair. In principle, all citizens have the same civil rights, but ethnic (Kurdish) and religious minorities suffer from discrimination, despite the fact that discrimination based on cultural, religious or ethnic differences is forbidden by the Turkish constitution. Together with the European Convention on Human Rights, the Turkish Constitution provides, in principle, warranty against any civil rights violations. The judiciary is free from both direct influence and intervention by other institutions, and the judicial process that reviews legislative or executive acts functions adequately. Cases of corruption have, however, occurred.

The administrative system works sufficiently in general, and public security and order is assured throughout most of the country. Exceptions to the rule are parts of eastern and south-eastern Anatolia, where several militant Kurdish organizations operate. Participatory and pluralist democracy is supported and monitored by the EU, which has been screening the performance of both the Turkish administration and judiciary since 1999, because Turkey wishes to join the EU. In its 2005 annual progress report, the European Commission called Turkey a well-functioning market economy for the first time, indicating that the country has complied with one of the Copenhagen accession criteria.

Since the financial crisis of 2001, an impressive reform package aiming at, and eventually achieving, fiscal consolidation and institutional reform has contributed to strong and hitherto fairly sustainable economic growth. GDP growth has been impressive and stable (although it has slowed down from its rapid growth in the 2002 – 2006 period; the average annual growth rate was 5% between 2005 and 2007). Between 2002 and 2008 the cumulative rate of real GDP growth reached 40%, making the period the longest stretch of uninterrupted growth in the history of Turkey. According to TurkStat, the country is by now the 16th biggest OECD economy, but it

must be taken into account that on 8 March 2008, the European System of Accounts (ESA) was introduced in order to reflect better the sizeable informal sector. This reform has, according to the Annual Report of the European Commission, increased the economy by a third.

The effects of the 2008 economic and financial crisis have been weathered fairly well. In the second quarter of 2009, an economic recovery was noted, which led to expectations of 8% growth for the financial year 2010. In the first two quarters of that year GDP growth even reached figures of 11.7% and 10.3% respectively. Even if it is expected that exports, consumption and investment will taper off after the crisis, analysts expect growth rates of over 5% for the financial years 2011 and 2012.

## History and Characteristics of Transformation

The proclamation of the Republic of Turkey as one of the successor states of the Ottoman Empire signaled a new phase in the long history of the social and political transformation of Turkish society, which had begun as early as the beginning of the 19th century. The Turkish process of transformation, both in the fields of politics and culture, has been described as unique, particularly with regard to its totality and success against the background of a predominantly Islamic society. This process also sought to amalgamate Western and pre-Islamic Turkish culture, in order to create a new “national culture” at variance with the heritage of the Ottoman Empire. The history and geographic location of Turkey at a strategic political and cultural crossroads between Europe and Asia did not render this endeavor an easy task. Turkish identity was and is a mix of identities, which contains Western European, Middle Eastern and Asian elements.

After the death of Atatürk in 1938, İsmet İnönü became the second president of the republic. One of his greatest achievements was the preservation of Turkish neutrality during World War Two. Turkey still suffered in the conflict: The army was kept in a condition of alert, prices rose steeply, food and other commodities were rationed and the black market flourished. The Democratic Party (DP), founded in 1946 (the year Turkey embarked on multiparty democracy), managed to win a landslide victory in 1950 and to stay in power until 1960. This period was marked by economic growth and a substantial increase of the average living standard. The party's economic policies focused on infrastructure development, agricultural mechanization and eventually industrialization. During the DP's second term, however, economic conditions deteriorated massively, inflation and public debt increased and the government adopted increasingly repressive policies in order to silence dissent. Growing tensions and the failure of the DP government to tackle the economic crisis triggered a military coup d'état in May 1960. The DP government, led by Prime Minister Adnan Menderes, was replaced by a military junta under the leadership of General Cemal Gürsel. Military rule was short-lived; one and a half years later the country returned to civilian government. In subsequent years the political situation remained tense as none of the ruling governments was able to stay in power for long. In 1971 the

military intervened again (in a “coup by memorandum”). The Turkish economy performed relatively well during the period, with growth rates of about 5.7 % before 1970 and accelerated industrialization, but after 1971 Turkey once again went through a period of political instability and economic crisis. The two oil crises and the military embargo imposed by the USA after the Turkish invasion of Cyprus in 1974 hit the country hard. Yet the core of the problem was the political polarization between the communists and the ultranationalists. After the situation became unsustainable in the late 1970s, the military intervened again in 1980. This time military rule lasted for over two years. All political parties were initially dissolved, and new parties were only allowed to form after screening by the military. The dominant party which emerged after the return to civilian rule in 1983 was the Motherland Party (Anavatan Partisi, ANAP), led by Turgut Özal. A national security council dominated by military officers was set in place to guarantee order and the adherence of the government to the constitution.

Until 1980, the Turkish economy was mainly based on import substitution and the agricultural sector. Özal pursued a different economic policy, aiming at creating export-oriented industry. The new liberal economic policies also led to fundamental changes in the Law for the Protection of the Value of the Turkish Currency and the foreign currency exchange system, as well as a liberalization of imports and exports. State subsidies were reduced and a value-added tax put into effect in order to increase state revenues. Revenue-sharing bonds were issued for sale, mass housing and privatization administrations established and free trade zones formed. The consequence was an acceleration of economic growth and a reduction in size of the chronic foreign currency deficit problem. In spite of significant progress, and a noteworthy empowerment of the private sector, public finance policy has led to serious budget deficits, which have so far resulted in two severe economic crises (in 1994 and 2001 respectively).

Since 2002, the Turkish government has been working closely with the IMF and the World Bank to implement a structural reform program with the aim of stabilizing and strengthening the economy through controlling public expenditures and inflation, increasing transparency in public financial management, accelerating privatizations and foreign investment as well as reforming the agriculture and financial sectors in accordance with the requirements that EU membership implies. In recent years one third of the Turkish constitution has been changed – over 200 new laws have been passed, most of which deal with the modernization of the penal code, the protection of the freedom of expression, religious pluralism and human rights. State security courts have been abolished. Recently, the national security council appointed its first civilian chairman.

The most important underlying characteristic of the transformation process in Turkey throughout the different periods has been and still is the basic contradiction between the attempts of the state elites to preserve the fundamentals of the republic conceived by Mustafa Kemal (Atatürk) and written into every constitution, and the “deviating” dynamics created by political democracy and economic liberalization. Time and again this contradiction has expressed itself in societal processes aiming to “emancipate” Turkey from the straightjacket of Kemalist orthodoxy. Since the electoral victory of the moderately Islamic Party of Justice and Development (Adalet ve Kalkınma Partisi, AKP) in 2002 there has been a power struggle between Kemalist and

Anatolian elites. There is, at present, considerable concern among outside observers and Turks alike that this conflict (in which the Kemalist elites fare rather poorly) will either lead to the establishment of a more liberal system with greater regard for human rights and social justice, or will simply result in a shift of power from one kind of elite to another.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 10 (best) to 1 (worst).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The state practices its monopoly on the use of force over the entire physical territory of the country. Yet, as part of its struggle against militant Kurdish organizations, in particular in eastern Anatolia, it is exposed to separatist violence, but also has to cope with occasional outbursts of religious fundamentalism and well-entrenched organized crime.

With the exception of militant Kurdish organizations, all Turkish citizens, including cultural, religious and ethnic minorities, accept the official concept of the Turkish nation state, and recent legislative changes have outlawed discrimination on any of these grounds. However, in the case of some ethnic and religious minorities, identification with the Turkish nation state is negatively affected by a certain degree of official and unofficial discrimination. Historically, minorities were seen as dangers to the unity of the nation, and this thinking does not seem to have been overcome.

The attitude of large parts of Turkish society to minority issues still leaves much room for improvement. Members of religious and ethnic minorities continue to be practically excluded from certain professional positions, such as civil servant or officer in the military.

The state functions as a secular order with modern institutions. From the foundation of the republic onwards, secularism was the main basis of legal, social and political order. Religion or religious dogmas do not have direct influence on politics. However, this secularism is partly offset by the importance of Islam as one of the bases of the Turkish national community. The ruling moderate Islamist/conservative AKP has been accused by its opponents of having a hidden Islamist agenda, yet (with the important exception of an initially failed, but eventually successful legal initiative to lift the ban on female headscarves in state universities) no openly Islamist policy has been pursued. The headscarf debate is a measure of the influence

Question  
Score

Monopoly on the  
use of force  
8

State identity  
7

No interference of  
religious dogmas  
7

of religious identity in public discourse, and has recently been fuelled anew by the appearance of the wife of President Abdullah Gül in a headscarf at a reception for German Federal President Christian Wulff. In institutional terms no Islamization has been observable. Within the framework of Article 136 of the Turkish Constitution (most recently amended in September 2010) the Directorate for Religious Affairs (Diyanet) continues to practice firm state control over religious affairs. An essential shortcoming of Diyanet is the exclusion of religious communities other than Sunni Islam – neither the Alevi community nor any non-Islamic religious groups are represented.

The administrative system works reasonably well. Nevertheless, there is a need for a comprehensive administrative reconstruction in order to create a modern, decentralized, participatory and transparent administration. The legal system, particularly law enforcement, is for the most part unaffected by corruption.

Basic  
administration  
9

## 2 | Political Participation

All post-1950 elections have been free and fair. However, when political parties began to re-emerge after the 1980 military coup, they had to conform to rules set by the military authorities. There is also a 10% threshold for parties to enter parliament (higher than in any country belonging to the EU), which excludes smaller parties with limited voter appeal from entering parliament. Some parties have therefore resorted to letting their candidates stand as independents. Once elected into parliament they are allowed to form a faction if their number exceeds 20.

Free and fair  
elections  
8

In principle, the democratically elected government has the effective power to govern, although it has been constrained by the strong influence of the military in Turkish politics. The control of civilian politicians over the military used to be rather weak, but following the 2009 uncovering of a military conspiracy to bring down the AKP government, civilian control over military matters has been considerably enhanced and expanded. To date, the military seems to have succumbed peacefully to this considerable reduction of its former privileges. The 2010 constitutional reform program has further increased the power of the democratically elected government. However, although 58% of the Turkish electorate approved of the program, resistance to it has been fierce, and there is considerable concern about the antagonistic political atmosphere in the country between representatives of the old and the new order.

Effective power to  
govern  
9

The legal framework concerning freedom of association is generally in line with international standards. Restrictions against public demonstrations have been steadily reduced during the past decade. However, in some cases security personnel used excessive force, especially when the demonstrations were carried out without permission, for example, the student protests in Ankara in December 2010.

Association /  
assembly rights  
7

An escalation of ethnic conflict caused the 2006 adoption of a new anti-terror law expanding the definition of a terrorist offense. This definition continues to be rather vague (and more inclusive than exclusive). The law describes the circumstances under which the legal restrictions on freedom of expression, the press and the media can be practiced. The 2010 annual report of the European Commission noted that there was an increasingly open and free debate on a wide scale in the media and in the public, dealing with issues considered sensitive, such as the Kurds, minority rights, the Armenian issue and the role of the military. The report also noted with approval that, since the reform of the notorious Paragraph 301 in May 2008, the number of court cases initiated on the basis of that article had dropped considerably.

Freedom of  
expression  
7

The EC noted, on the other hand, that there were still certain violations of freedom of expression. These are based partly on the fact that defamation is a criminal offense under Turkish law. Other provisions of the Turkish Criminal Code also restrict freedom of expression, particularly the anti-terror law mentioned above, and the press law. Journalists reporting on the investigation of the Ergenekon conspiracy have faced threats of prosecution and trials for allegedly violating the principle of confidentiality that must be observed during any ongoing judicial process. The European Commission report expressed concern that such a situation might create a tendency for self-censorship.

Kurdish newspapers and journalists have been harassed, and in some cases sentenced to prison, on the charge of engaging in “propaganda for terrorism.” The Court of Cassation ruled that Nobel Prize winner Orhan Pamuk could be sued for the comments he made on Armenian and Kurdish issues in 2005. There is also considerable concern about the attempts by the government, politicians and other high-level authorities to influence the press. A high tax fine imposed on the Doğan Media Group in 2009 is still under judicial investigation. This fine has come under attack by those who claim that it is actually a punishment for criticisms of the government published by Doğan. In fact, there is serious concern over the possible sale of Doğan Media to the Calik Group (a more pro-government consortium). The sale would have quite serious consequences for the multi-vocal character of the media.

Another cause for concern is the frequent ban of websites. Although the 2010 European Commission report expresses a cautiously optimistic view of the level of freedom of expression in Turkey, it still points out that Turkish law is unable to



guarantee the level of freedom of expression demanded by the European Convention on Human Rights and the European Court of Human Rights (ECHR) laws.

### 3 | Rule of Law

State powers in Turkey are separated and checks and balances function properly as described in the constitution. The influence of the military leadership appears to have decreased considerably in comparison with the recent past.

Separation of powers  
9

The judiciary is relatively free from direct influence or intervention by other institutions. This statement must be qualified, however, to the extent that decisions of the High Military Council concerning personal affairs, especially expulsion from the ranks due to “political non-reliability,” are not open to judicial review. The judicial system has some structural weaknesses – cases proceed slowly and inefficiently, due to the large backlog of cases pending. With regard to the independence of the judiciary, as pointed out in the annual report of the European Commission, judges and prosecutors are attached to the ministry of justice by their administrative functions. It is regarded as a shortcoming that the High Council of Judges and Prosecutors (HSYK) (the supreme governing body of the judiciary) has not been able to establish a secretariat of its own, and has neither separate premises (it continues to operate from premises located in the ministry of justice) nor a budget of its own. Furthermore, the fact that judicial inspectors responsible for evaluating the performance of judges and prosecutors report to the ministry rather than to the HSYK continues to give reason for concern. Reforms concerning the judiciary formed the core of the 2010 constitutional reform program. The constitutional court, regarding itself as the guardian of the secular values of the Kemalist system, has frequently clashed with the AKP in the past and came close to outlawing it in 2008. The reforms concern the number of judges (increased from 11 permanent and four substitute judges to a total of 17), and also the modalities of their appointment. The new system envisages parliament selecting three judges and the president selecting the remainder. Acting President Abdullah Gül is himself an AKP member and loyalist, and critics regard this measure as giving the AKP too much power over the constitutional court. The reforms have also increased the members of the HSYK from 7 to 21 members, selected by the president and the highest judicial bodies. The HSYK is headed by the minister of justice, leading critics to argue that there is too much government control over the council. The reforms also reduced the power of the judiciary to ban of political parties; this power is instead to be given to a parliamentary committee. On the other hand, the civilian judiciary has, for the first time, been given the authority to try military personnel. Although these judicial reforms have been lauded as a step in the right

Independent judiciary  
7

direction by the European Union and other important institutions, uneasiness remains as to the AKP government's motivation to actually implement them. While AKP sources speak of taking the necessary steps to redress the deficiencies of an authoritarian system, critics accuse the AKP of acting in pure self-interest, and of attempting to secure greater government control over the judiciary in order to harness judicial power for its own ends.

Generally, the state and society hold civil servants accountable and conflicts of interest are not tolerated. However, politicians enjoy different treatment, as it is still hard to charge and prosecute by state tribunal those who misuse their public mandate or power in office. The 2010 European Commission report noted no progress in this issue, with the exception of the increasing transparency in public administration procedures which has brought some improvement to Turkey's anti-corruption record. The European Commission's analysis shows that by June 2010 Turkey had implemented 15 of the 21 recommendations contained in the 2005 evaluation report by the Group of States against Corruption (GRECO). However, both GRECO and the 2010 European Commission report press for further measures, particularly with regard to transparency on the financing of political parties and election campaigns. March 2010 saw the first incident of a mayor of a metropolitan municipality (Adana) being removed from office due to serious corruption charges. At the time of writing, this investigation is still underway, as are other prominent fraud cases (for instance that of the charity association Deniz Feneri). The European Commission notes critically that Turkey has still not established a solid track record for investigations, indictments and convictions.

Civil rights are generally guaranteed and protected. However, despite legislation outlawing discrimination, members of religious minorities are effectively excluded from becoming civil servants or army officers. The European Union supervises Turkey's fulfillment of the Copenhagen political criteria, and, as a member of the Council of Europe, Turkey is obliged to implement the provisions of the European Convention on Human Rights. By 2010, Turkey had not yet signed the Optional Protocol to the UN Convention against Torture (OPCAT), which was noted with disapproval in the European Commission's 2010 report. Also, it has not yet ratified three additional protocols to the European Convention on Human Rights. The number of EHCR rulings in which Turkey was found guilty of violating the European Convention on Human Rights continued to increase. Most Turkish applicants to the ECHR complain about the supposed absence of a fair trial, or seek protection of property rights. The EC noted with approval that Turkey complied with the majority of the E.C.H.R. rulings. Although the government has declared human rights to be an important issue, human rights institutions still suffer from lack of resources, independence and impact. Human rights activists also sometimes have to face legal, and even criminal, proceedings. The government continued its attempts to establish legal safeguards for the work of the security forces. Yet the

Prosecution of  
office abuse

7

Civil rights

7

2010 EC report states clearly that disproportionate use of force by law enforcement bodies has continued. In June 2010, a case dealing with the death of a detainee ended with three prison guards and the deputy director of a prison being sentenced for murder. While the EC report approved of this step it still noted the long backlog of similar cases. The prison service in general has come under severe criticism, mostly connected with mistreatment of inmates and detainees, yet also for deficient sanitary and health conditions. The report also noted some small improvements in the field of access to justice, while drawing attention to the limited access to free legal aid – at its worst in south-eastern Anatolia. A large number of prison inmates or detainees have been found never to have received any legal aid at all.

#### 4 | Stability of Democratic Institutions

Basic democratic institutions work together in a relatively harmonious and effective way. All relevant political decisions are prepared, made, implemented and reviewed by the appropriate organ, as described in the Turkish constitution. Since 1999 the performance of the administrative and justice systems have been examined and improved with the guidance of the European Commission.

Performance of  
democratic  
institutions  
8

All relevant political and social players with the exception of the PKK and its successor organizations accept the democratic institutions as legitimate.

Commitment to  
democratic  
institutions  
8

#### 5 | Political and Social Integration

From 1960 to the early years of the 21st century, coalition governments ruled in Turkey. Since 2002, the AKP Party has been able to rule independently. In the period between 2002 and 2007 it held a comfortable majority. In the most recent elections of 22 July 2007, the party scored an impressive electoral victory by attracting 46.58% of the votes. Chairman and 2001 founder of the party, Recep Tayyip Erdoğan, was asked to form a new government. The election gave the AKP 341 seats in parliament. Only two other parties managed to pass the 10% threshold: the Republican People's Party (Cumhuriyet Halk Partisi, CHP) gained 112 seats, and the Party of the Nationalist Movement (Milliyetçi Hareket Partisi, MHP) scored 70. Twenty-six "independents", mostly of Kurdish background, were also elected to parliament. Using the above-mentioned legal loophole the independent deputies then rejoined the Party of the Democratic Society (DTP), giving this party parliamentary representation with 21 seats. There are five independent deputies. One seat is vacant. In general, however, the party system in Turkey is still rather unstable and voter volatility is very high – the absence of a socially rooted party system is undoubtedly one of the main reasons. The 10% threshold is a serious

Party system  
6

obstacle for smaller parties, such as Kurdish parties, to enter parliament. It has to be acknowledged that the political climate in Turkey is characterized by increasing polarization.

There is a large number of interest groups promoting the growth of participatory democracy, and of public awareness for social problems. Currently, there are an increasing variety of organizations in Turkey including approximately 80,000 registered associations (although quite a few of them are local-level, not-very-active solidarity associations), and several hundred unions and chambers, but the major actors of civil society have had only limited beneficial influence on policy-making in recent years. Nevertheless, the impact of civil society institutions is growing, a development in which the ongoing EU-accession process played a considerable role. The 2010 European Commission Progress Report on Turkey noted that courts rejected the closure of several civil society associations. Examples were the lesbian, gay, bisexual, transgender and transvestite association “Lambda Istanbul,” or the “Özgür-Der Association for Freedom of Thought and the Right to Education”. The report accords Turkey a legal framework broadly in line with EU standards, but criticizes difficulties still faced by civil society institutions.

Interest groups  
8

The consent of Turkish people to democracy is very high. With the exception of fundamentalist movements, all social, economic and political groups are devoted to a pluralist parliamentary system. On the other hand, the level of trust and confidence in political parties and politicians continues to be low.

Approval of  
democracy  
8

Autonomous, self-organized groups and voluntary associations are traditionally well developed and well organized. They work and cooperate with each other. These self-organizations enjoy a high level of trust among the population.

Social capital  
7

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Question  
Score

The impressive package of fiscal consolidation and institutional reform has continued to have a positive impact on economic growth. The 2008 financial crisis hit the country with medium severity. GDP contracted by some 5% in 2009, but recovery had already begun in the second quarter of that year. The OECD estimates growth will exceed 8% in 2010, and to remain above 5% for both the years 2011 and 2012. Inflation rose to 10.6% in 2008, but fell again to 6.3% in 2009.

Socioeconomic  
barriers  
5

The public debt burden was falling by 2007, only to climb again during 2008, no doubt due to higher oil prices. Influenced by the crisis, FDI as percentage of GDP

fell markedly, from 3.8% in 2006 to 1.3% in 2009. The account deficit, on the other hand, was substantially reduced (from -\$41,946 million in 2008 to -\$13,961 million in 2009). There continue to be extreme income disparities between rural and urban regions, particularly in the eastern and south-eastern regions of the country. These uneven development patterns affect the economic structure and cause noticeable social problems as well. The Gini index of the country remains slightly below average at 41.2, and in spite of Turkey's overall positive economic development the poverty rate remains high at 27% (according to the national poverty line). The 2010 Human Development Report concludes that 2.6% of the people are living on incomes of \$1.25 a day or less. According to the same report, life expectancy at birth is 72.7 years (index value 0.679, rank 83). Adult literacy is 88.7%, a slight improvement compared to the 2007/2008 values. There still is a considerable difference in male and female literacy (96.2% and 81.3% respectively). Gender inequality in other fields (access to education, employment etc.) remains considerable (index value 2010: 0.621, giving Turkey rank 77. No reduction has occurred since 2008).

The demographic growth rate continued to sink and is at present calculated at 1.2%. The unemployment rate, at 10.98% in 2008, rose steeply to 14.6% in 2009 – doubtless an after-effect of the crisis. In recent decades access of the school-age population to education has been expanded significantly (gross enrollment ratio is 99.3 primary, 82.0 secondary and 38.4 tertiary). However, the quality of education remains low, and the education system focuses predominantly on providing good quality education for the most able students, who are channeled towards university and work in the formal sector. As a result, the most binding human capital shortages are at the middle and low end of the labor market. Despite this, resources continue to be skewed towards the “high end”. Although it was originally conceptualized as a merit-based system, the system favors students from higher-income families with more resources; this raises efficiency and equity concerns.

Religion and ethnicity continue to be problematic issues: groups of the population not considered “Turks,” and Muslims who aren't Sunni continue to suffer from discrimination. Non-Muslims are still not able to become military officers or public servants. In conclusion, Turkey may be described as a thriving economy, which has weathered the crisis rather well. Unfortunately it still exhibits severe inequalities of income, access to education and well-paid jobs. Gender inequality remains high, and the gender mainstreaming strategy established in 2008 does not seem to have been successful so far. Place of residence, as well as one's ethnicity and religion, continues to have a serious impact on access to education and jobs. The gap between poorer and wealthier groups in Turkish society continues to widen.

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	647155.1	730337.5	614553.9	<b>734364.5</b>
GDP growth	%	4.7	0.7	-4.8	<b>9.0</b>
Inflation (CPI)	%	8.8	10.4	6.3	<b>8.6</b>
Unemployment	%	10.3	11.0	14.0	-
Foreign direct investment	% of GDP	3.4	2.7	1.4	<b>1.3</b>
Export growth	%	7.3	2.7	-5.0	<b>3.4</b>
Import growth	%	10.7	-4.1	-14.3	<b>20.7</b>
Current account balance	\$ mn.	-38434.0	-41959.0	-13991.0	<b>-47695.0</b>
Public debt	% of GDP	39.4	39.5	45.5	<b>41.7</b>
External debt	\$ mn.	252949.6	284080.1	271224.6	<b>293872.4</b>
Total debt service	\$ mn.	48791.3	55516.2	62239.2	<b>58688.1</b>
Cash surplus or deficit	% of GDP	1.4	-1.9	-5.5	-
Tax revenue	% of GDP	18.7	18.6	18.9	-
Government consumption	% of GDP	12.8	12.8	14.7	<b>14.3</b>
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	6.0	6.1	6.7	-
R&D expenditure	% of GDP	0.72	-	-	-
Military expenditure	% of GDP	2.2	2.3	2.7	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

## 7 | Organization of the Market and Competition

The state fully guarantees and maintains market competition and all market participants have equal opportunities in principle. The Commission's 2010 report noted that the competition authority's overall capacity was high, that it had a satisfactory level of administrative and operational independence, and possessed well-trained staff. Its performance in implementing competition rules was commended.

Market-based  
competition  
8

So far the convertibility of the Turkish currency has been guaranteed by the 2005 currency reform (one new Turkish lira was substituted for 1,000,000 old Turkish lira), coupled with the significantly reduced rate of inflation.

The 2008 financial crisis led to a drop in number of newly established firms by 10%, while the number of firms closed down rose by 8.5%. There are still quite a number of sectors within which foreign owners continue to face restrictions. These include various forms of transport (civil aviation, maritime transport, road transport, ground-handling services) as well as broadcasting, energy, accountancy and education. The informal sector's share continues to be very high in comparison to other European economies and the existence of a substantial informal economy (estimated over 60%, although according to other sources as high as 83%) hampers viable market economy development in Turkey, particularly as the productivity of the labor force in the informal sector is estimated to be 80% below that in the formal sector (OECD 2010 estimate). In 2005 the European Commission declared for the first time that a well-functioning market economy existed in the country. The 2010 European Commission report noted that Turkey's financial consolidation over the first decade of the new millennium had been significant. Public debt to GDP ratio was cut from an all-time high of 70% in 2001 to less than 40% by mid-2008. The 2010 European Commission report confirms that Turkey had achieved macroeconomic stability, but also indicates certain vulnerabilities and recommends the creation of a stronger fiscal anchor.

With the establishment of the customs union, Turkey fulfilled its obligation to adopt EU antitrust legislation and established an independent body (the High Committee for Competition, HCC) to monitor the market and implement antitrust rules when necessary. The HCC operates effectively with regard to privatizations, mergers and acquisitions, and it also ensures that market positions are not abused. The 2010 European Commission report accorded Turkey some progress in the field of antitrust legislation. It also insisted that Turkey take further steps to transpose the acquis on horizontal cooperation agreements and de-minimis rules. The Turkish Competition Act was also found wanting, as it did not apply to banking mergers and acquisition of market shares below 20%. In the field of state aid, the Commission reported good progress, although it drew attention to areas where the level of state aid still exceeded that of the requirements of the customs union and of the ECSC Free Trade Agreement. The report commended Turkey for adopting a state aid law establishing a monitoring authority.

The 2010 European Commission report noted that no progress had been made in the general principles applicable to the free movement of goods. In some areas (e.g., pharmaceuticals) conditions have even deteriorated, resulting in a de facto ban for these products due to excessively time-consuming licensing procedures. Licenses are still required for the import of goods considered old, renovated or faulty. The reasons given for the insistence on import licenses are manifold: they include tariff

Anti-monopoly  
policy  
8

Liberalization of  
foreign trade  
9

quota administration, health, sanitary, phytosanitary and environmental concerns. Although Turkey has continued to harmonize its regime with EU standards and regulations, a multitude of charges may still be applicable on imports to the country. According to the WTO, Turkey exacts both customs duties (customs tariffs and the Mass Housing Fund levy) and internal taxes (excise duties such as the Special Consumption Tax, VAT and stamp duty). From 1996 onwards, Turkey has based its tariff for industrial products/industrial components of processed agricultural products (if imported from third countries) on the EU common external tariff. Customs tariffs include both ad-valorem and non-ad-valorem rates. At present, the former applies to 97.9% of total lines, down from 98.5% in 2003. The latter is applied to altogether 378 items at the HS 12-digit level, which in fact marks a substantial increase compared to 2003 (284). Levies on agricultural products (47.6%) are considerably higher than those on non-agricultural ones (5%). The simple average bound rate is 33.9%, and the simple average applied MFN rate 11.6% in 2007 (11.8% in 2003); the ceiling bound rates thus leaves Turkey ample margin for tariff increases. Moreover, the imposition of non-ad-valorem tariff rates does not ensure compliance by Turkey with its WTO binding commitments made at ad-valorem rates. In addition to applied and bound tariffs, Turkey also maintains a statutory tariff. Indeed, the government can replace rates of the applied most-favored-nation (MFN) tariff by 150% of the corresponding rates of the statutory tariff, with a view to ensuring higher protection to local industries. In the case of products subject to tariff bindings, when the new rate (i.e., 150% of the statutory tariff rate) is higher than the corresponding bound tariff rate, the latter applies. These three categories of tariff further complicate the regime and make it more unpredictable. Export promotion is one of the main objectives of Turkey's trade regime. The incentives system comprises duty and tax concessions, finance, marketing assistance, and promotion. Turkey remains an important user of anti-dumping measures. As of August 2007, it had 93 definitive anti-dumping duties in force (compared with 27 at the end of 2002). Turkey has increasingly made use of safeguards during the last few years, imposing definitive measures on products such as motorcycles, salt, steam irons, vacuum cleaners, and footwear. Turkey has never initiated or imposed a countervailing measure. The WTO agreements and Turkey's current trade relations with the EU are the main factors influencing the Turkish trading system. Turkey, having been a contracting party to the GATT since 17 October 1951, became an original member of the WTO on 26 March 1995. It gives (at least) MFN treatment to all its trading partners. Turkey is not a signatory to the plurilateral agreements that resulted from the Uruguay Round. Turkey has a customs union agreement (mainly on non-agricultural products) with the EU, a free-trade agreement with EFTA (also on non-agricultural goods), and nine bilateral agreements in force (with Bosnia-Herzegovina, Egypt, Morocco, the Palestinian Authority, Syria, Tunisia, Croatia, Israel, and Macedonia (FYR)). Negotiations with more countries are ongoing. Turkey is also part of the Euro-Mediterranean Partnership, the Economic Cooperation Organization (ECO), and the Black Sea



Economic Cooperation (BSEC). While the WTO approves of Turkey's ongoing transformation to a competition-based market economy, it also draws attention to the fact that Turkey's membership in several arrangements makes its trade regime complex and seemingly difficult to manage.

The Turkish banking system is organized according to international and European standards, with functional supervision, minimum capital requirements and market discipline. According to a report prepared by the Turkish central bank, the Turkish banking sector consists of deposit banks, development and investment banks and participation banks that operate according to the profit-/loss-sharing principle. The Banking Regulatory and Supervisory Authority (BRSA) was able to improve its supervisory and enforcement capacity further, and was accepted as a member of the Basel Committee on Banking Supervision and Financial Stability board in 2009.

The number of banks decreased to 50 after the 2001 financial crisis. According to the Banks Association of Turkey, that number decreased further to 45 by January 2011. The asset concentration ratio of the largest five banks was 59% and 28% if the largest 10 banks are considered (as of September 2006; according to the 2008 European Commission report, this has remained stable). Measures taken by the government in reaction to the global financial crisis led to an increase of the nominal capital adequacy ratio of the Turkish banking sector to almost 20% by early 2010 (substantially higher than the EU legal requirement of 12%). According to the 2010 European Commission report, non-performing loans fell to about 5% by mid-2010 (from a peak of 6% at the end of 2009). Stress tests by the regulator have proved that Turkey's financial sector is sound. The banking sector was able to extend its share of the entire financial sector to 78%. The share of total assets held by domestic private banks is 32.5%. Foreign banks were able to increase their share to 39.5% – this figure takes into account the investments of foreigners in the stock exchange. The stock exchange, in turn, represents 20% of the assets of the banking sector.

## 8 | Currency and Price Stability

As a result of the 2008 financial crisis, inflation rose to 6.3% in 2009. Headline inflation was thus significantly above the central bank target. Between November 2009 and April 2010, inflation rose from 5.1% to 10.2% before falling to 8.3% in August. These changes affected food prices with particular severity. Core inflation went up from about 3% in mid-2009 to 4% by August 2010. However, since the post-crisis recovery was robust, Turkey's real policy rate is now low. The Turkish central bank is looking at a period of strong growth and has announced plans to roll back the extraordinary measures put in place during the 2009 economic crisis and to inject less liquidity into the market. Currency reserve requirements have been increased. The operational structure of the central bank's liquidity management has

Banking system

9

Anti-inflation /  
forex policy

9

been changed in order to ensure a better allocation of liquidity within the banking system and to reduce the dependence of banks on the central bank's lending facilities. The Monetary Policy Committee has indicated that the monetary tightening/exit strategy should be prudent and slow. Price stability has suffered under pressure originating with imports of energy and food, and also with buoyant economic activity. This has led to the adoption of a tighter monetary stance.

The last few years have seen the successful implementation of a strong stabilization program and of in-depth structural reforms in many key areas, such as banking, privatization of enterprises, education and energy. These measures have bolstered the resilience of the Turkish economy and have helped it to successfully weather the severe impact of the global financial crisis. At the time of writing it may be concluded that growth resumed rapidly and strongly. Turkey's fiscal and monetary policy mix proved successful during the crisis and adjustments are being made in order to benefit from the recovery. Overall, although this policy mix proved effective until 2010, the European Commission report of that year noted that macroeconomic stability remained vulnerable and could benefit from a stronger fiscal anchor. The crisis led to the budget deficit to soar from 2.2% of GDP in 2008 to about 5.7% in 2009. The budget performance improved during 2010. In the same period, the public debt stock rose to less than 45% of GDP in mid-2010. According to the Turkish government, public debt is expected to fall to the low forties at the end of 2010, and then to continue to fall slowly.

Macrostability

8

## 9 | Private Property

Property rights and the regulation of the acquisition of private property are in principle well defined in the Turkish legal system. Further progress in legislative alignment with provisions concerning copyright and related risks was reported by the European Commission. In spite of this the weakness of administrative capacity and a rather uncertain legal situation due to frequent and not altogether consistent changes of legislation remained problematic. The simplification of administrative procedures resulted in the time required to establish a company being shortened to as little as a day (according to the Turkish treasury). This applies only if the necessary documentation is already prepared. There is concern that corporate governance principles are not fully implemented in Turkey. The country possesses an SME strategy aligned with that of the European Charter for Small Enterprises. A definition of SME was introduced for all Turkish institutions, and found to be commensurate with the *acquis communautaire*. The World Bank estimated that the average time needed to complete six mandatory procedures for the registration of private property was six days in 2010. This suggests that Turkey has made further progress in this field.

Property rights

9

Private companies are given wide legal and institutional safeguards and comprise the most important component of the Turkish economy. Privatization is continuing, albeit at a slower rate than before the crisis. The privatization carried out was generally consistent with elementary market principles. The export sector is the locomotive of the Turkish economy – here nearly 98% of the 500 most important exporting firms are private companies. The World Bank’s 2010 Doing Business report estimated that the average time needed to complete six mandatory procedures for the registration of private property was six days in 2010.

Private enterprise  
9

## 10 | Welfare Regime

In October 2008, the new Social Insurance and General Health Insurance Law entered into force. Among its goals is the guarantee of adequate and sustainable pensions. While considerable success could be observed in the 2006 – 2008 period, the next period was marked by stagnation. Roughly 80% of people were covered by the social security system. A draft law on social assistance and payments without premiums still has not been put into force. After reaching a peak in June 2009, the percentage of undeclared workers began to follow a downward trend. However, 44.8% of people in employment are not registered with the social security system and hence are deprived of the protection of labor laws and pension rights. Turkey reported a large deficit in the pensions system, which widened considerably in the wake of the crisis. Access to primary health services and the extension of the general health insurance scheme has improved. The health care system, however, continues to suffer from shortages of staff.

Social safety nets  
6

The 2010 European Commission report noted some progress in the field of equal opportunity. The achievement of substantive equality between men and women was part of the constitutional reforms approved in September 2010. In spite of considerable activity by the government and parliament, the employment and labor force participation rates of women remain lower than that in all EU states, and among the lowest of all OECD countries. On the other hand, the report also notes that no transposition of the acquis covering discrimination on grounds of racial or ethnic origin, religion or belief, disability, age and sexual orientation could be observed. Although written regulations do exist, the members of religious and ethnic minorities continue to be excluded from becoming civil servants or army officers.

Equal opportunity  
7

## 11 | Economic Performance

The rapid recovery of the Turkish economy after the crisis of 2001 was to a large extent due to tight monetary and fiscal policies, as well as to structural reforms. The main anchors of the Turkish economy are its close connection to the IMF and its goal of becoming an EU member state. Although the economy was hit hard by the financial crisis, recovery was rapid and sound. Turkey has the world's 15th largest GDP-PPP and the 17th largest nominal GDP. GDP grew from \$647.155 million (equivalent to \$13.163 per capita) in 2007 to \$730.337.5 million (equivalent to \$14.068 per capita) in 2008, and then fell to \$617.099 million (equivalent to \$13.905 per capita) in 2009. Growth in the 2005 – 2008 period slowed down from 8.4% to 0.7%, followed by a contraction of some -4.7% in 2009. Recovery began in the second quarter of 2009, and growth expectations for 2010 onwards remain soundly over 5% (record growth rates of more than 10% were observed in the first two quarters of 2010). Having risen by 17.55% and 29.68% in 2007 and 2008 respectively, exports decreased by some 5.4% in 2009. Imports had already begun to decrease in the 2007– 2008 period by some 4.4%, and fell sharply by 14.4% one year later. Inflation, still at 10.4% in 2008, fell to 6.3% in 2009. Net public debt to GDP has fallen from 92% in 2001 to under 60% in 2005 and to around 50% at the end of 2006. In 2009 it reached 45.4%. FDI reached \$9.6 billion in 2005 (more than the total value of the last 20 years), \$18.6 billion in November 2006 and fell more recently to \$11 billion (mid-2008). The contraction continued, until in 2009 only \$4,359 billion was invested. The current account deficit could be reduced to \$13.961 million in 2009 from \$41.946 million in 2008.

Output strength  
8

## 12 | Sustainability

Turkey has not ratified the Kyoto Protocol, and is not party to the Espoo and Aarhus Conventions. The Emissions Trading Directive, and other related EU decisions have not yet been transposed. In 2010 the European Commission reported limited progress on horizontal legislation, but also growing concern within Turkey about a planned nuclear power plant to be built with Russian assistance. It is proposed for a part of the country threatened by earthquakes, which has given rise to safety concerns. Turkey is currently in negotiations with Bulgaria over the trans-boundary aspects of the projected Nabucco pipeline. Legislation has been passed concerning air quality; Turkey also adopted a national waste management plan for 2009 – 2013, for which it was commended in the 2010 EC report. The report criticized limited or no progress in the field of water quality, nature protection, industrial pollution, risk management and climate change. Turkey's development project for south-eastern Anatolia, the Güney Anadolu Projesi (GAP), is based on the construction of a large number of dams. Environmental activists, both within and outside Turkey, express

Environmental  
policy  
5

considerable concern that the environmental impact of this project has not been taken sufficiently into consideration by the Turkish authorities.

The 2007 U.N. Education Index gave Turkey a rate of 0.83. As 1.00 is the maximum result, Turkey has scored quite highly. Translated into practical terms, however, Turkey performs manifestly worse than most countries in the Middle East. In 2006 – the most recent valuation – Turkey spent 2.9% of GDP on education. Gross enrollment at primary, secondary and tertiary levels was 99.3%, 82.0% and 38.4% respectively. Literacy is quite high (88.7%), but substantial inequalities still exist between male (96.2%) and female (81.3%) literacy. This inequality is also noticeable in education (ratio of male to female enrollment stands at 97.4%, 88.6% and 78.0% on primary/secondary/tertiary levels respectively). The 2010 EC report noted some progress in the field of education. Turkey was able to improve its performance in all areas in which EU-level benchmarks have been set for 2010 and 2020, but remains still well below EU average. Enrollment rates continued to increase, and compulsory pre-school education was introduced in 32 provinces, with the ultimate aim to encompass all Turkish provinces by 2012/2013. The number of universities continued to increase and has reached 154. The successful completion of tertiary education is achieved by 14.7% of the 30–34-year-old population.

The EC reported good progress in 2010 in the area of science and research. Efforts were made to entice foreign scholars to come to or to remain in Turkey, and also to encourage Turkish researchers working abroad to return to the country. The Turkish Supreme Council for Science and Technology (SCST) decided to begin preparation of a national science, technology and innovation action plan for the period 2011 – 2016. R&D expenditure was increased to €310 million (of which €210 million was for industrial R&D alone). A total of 62 new private-sector R&D centers have been approved by the Turkish ministry of trade and industries. Expenditure on research increased to €5.63 billion (up from €5.47 billion in 2007). The level of Turkish participation in the Seventh EU Framework Programme for Research and Technological Development improved further, but efforts still need to be made in order to create more research capacity and to ensure scientific excellence.

## Transformation Management

### I. Level of Difficulty

There are only a few structural constraints on governance. The strength of the country is certainly its relatively high level of economic development and relatively young and well-educated labor force. A great problem is the deficient infrastructure in south-eastern and eastern Anatolia. There are great difficulties in reconciling elements of traditional and modern society. Further problems are created by deficiencies in the administrative and legal system, which have already been mentioned. The beginning of the accession negotiations with the EU in October 2005 contributed significantly to the preservation of political and economic stability.

Structural  
constraints  
3

Though CSOs enjoy a high level of trust from the population, Turkey only has a moderately well-developed tradition of civil society, especially in comparison to EU member states. The 2010 EC report noted that there are a large number of CSOs in Turkey which play an important role and are often consulted by the government, but it criticized the difficult conditions under which these CSOs still operate. They face disproportionate administrative checks and fines. The bureaucratic hurdles that have to be overcome for fund-raising and obtaining public benefit status are of particular concern for small and medium-sized associations. Legal protection of civil society institutions has been improved. At the end of 2009, the closure of the lesbian/gay/bisexual/transgender/transvestite (LGBT) Lambda Istanbul was overturned by the Court of Cassation.

Civil society  
traditions  
6

The heritage of the Ottoman Empire is still significant in present-day society in Turkey. It is obvious that Turkish society contains different groups of every nationality of the Ottoman Empire. According to Article 66 of the Turkish Constitution, everyone bound to the Turkish state through the bond of citizenship is a Turk. Turkish nationality is thus based on a modern constitutional citizenship and not on ethnicity. Consequently, Turkishness refers to all citizens of Turkey. Since all Turkish citizens enjoy the same rights and benefits of citizenship, there is no such nomenclature as a minority in Turkey, except for the three minorities recognized by the Treaty of Lausanne (Armenians, Greeks and Jews). The treaty stipulates that minorities in Turkey consist only of non-Muslim communities. The problem of this legal concept lies in the fact that it ignores entirely the various

Conflict intensity  
5

different ethnic communities in Turkey, who do form minorities and who wish to establish themselves (de jure) as such, and be treated according to international and European standards. Conflict potential between the different groups in Turkish society has been described as follows: The two main determining factors of recent sociocultural behavior in Turkey are two polarizations along the lines of nationalism and religion. The first is Kurdish versus Turkish nationalism, the second Islam versus Secularism. Moreover, it should also be pointed out that extreme Turkish nationalists and nationalistic Kemalists are at least as militant and aggressive as their opponents, and the answer to the question of who agitates whom is by no means a clear one, if seen in a longer historical perspective. It is difficult to determine which of the two main conflicts – that between Turkish and Kurdish nationalism, or that between Islamists and Secularists – is the more dangerous at present. Some progress can be noted in the Kurdish conflict: At the end of 2009, Prime Minister Recep Tayyip Erdoğan announced his intention to launch a new initiative for a political solution to the conflict before an audience of 400,000 Kurds in Diyarbakir. The announcement was, however, greeted with a mixture of approval and doubt about the sincerity of the initiative. At the end of 2010, the PKK announced a ceasefire, and is seen by some to change increasingly from a militant movement to a political party. At the same time, the conflict between Islamists and Secularists sees the AKP government and its supporters on the one side, and the Kemalists, most strongly entrenched in the armed forces, on the other. The 2010 EC report notes an antagonistic political climate. At present, particularly after the 2009 uncovering of the Ergenekon conspiracy, the government and its supporters seem to have triumphed, particularly after a number of constitutional amendments were approved by a majority of the Turkish people in the September 2010 plebiscite. However, tension remains high. The conflict not only involves different political actors, but is also grounded in different political cultures: while the government claims that it is making efforts to transform Turkey from an authoritarian to a modern democratic country, its opponents claim that the government's measures are simply trying to harness the power of the state for the government's interests.

## II. Management Performance

### 14 | Steering Capability

During the period under review, the government was determined to continue a reform of Turkish democracy and human rights which began in 1999. Political leaders have been effective in initiating reforms with the aim of improving democracy and human rights standards by aligning Turkish legislation and implementation with international and EU norms. Undoubtedly the requirements of

Question  
Score

Prioritization  
8

EU harmonization play a crucial role in further accelerating the process, and in the period under review the European Commission classified the reforms and improvements as compatible with the Copenhagen criteria.

Turkey continued on its path to EU membership, and legislation was passed in many fields to improve the level of democracy and market economy.

On the other hand, under the leadership of the moderate Islamic AKP government, Turkey also began to re-evaluate its strategic alternatives to EU accession, realizing that it might be either a distant prospect or even one rendered impossible by the continued hostility of several EU member states. Foreign Minister Ahmet Davutoğlu is regarded as the architect reorienting Turkish foreign policy to establish the country as a major regional power. The AKP government also has made efforts to intensify cooperation with other Muslim countries and peoples in the Near and Middle East.

Though economic recovery was pressing after the 2008 economic crisis, the government was hesitant and negated any serious challenge for Turkey's economy for months. This hindered a timely implementation of a tailor-made recovery plan, and it wasn't until September 2009 that the government initiated measures such as tax cuts, financial supplies for SMEs, export support payments and extra social spending for the poor.

In its 2010 report, the European Commission noted that Turkey has had success in implementing many of its reform measures. The government was able to overcome considerable resistance to several of its plans, particularly after it received strong popular support for its constitutional reforms in the September 2010 plebiscite.

Implementation  
8

It has, however, failed to implement the Additional Protocol requiring it to open its harbors and airports to ships and aircraft from the Republic of Cyprus.

In Turkey, the political leadership keeps its grip on decision-making power and is somewhat unwilling to delegate. Due to this old-fashioned attitude, the majority of the political elite still show little willingness and ability to learn. You must first accept failure in order to learn from that failure.

Policy learning  
7

Yet, in relations with the EU, Prime Minister Erdoğan, who has linked his political credibility with a successful EU entry process, has at least demonstrated his ability for complex learning. The same could be said for Foreign Minister Ahmet Davutoğlu, who is credited with a re-orientation of Turkish foreign policy seen by some as a possible alternative to EU membership if that long-term goal were to prove elusive. President Abdullah Gül has also developed remarkable aptitude in his attempts to defuse internal conflicts in the country. Overall it has to be noted that the AKP government is continuing to display greater willingness to learn than its predecessors, and greater flexibility when it comes to exploring alternatives.



However, this process is still at an early stage and must continue for a considerable period of time.

## 15 | Resource Efficiency

The allocation of resources and the efficient use of them remains one of the fundamental shortcomings of the public sector in Turkey. Government personnel policy is particularly illuminating with regard to the efficient use of human resources. Turkey continues to have a vast public sector. Many employees have insufficient qualifications and capabilities for their jobs. There is the widely held belief that political considerations, rather than merit, are responsible for securing employment in the public sector. The number of employees in the public sector, according to TurkStat, grew by 2% in the first nine months of 2010 alone, and is estimated to be approaching 3 million. The public sector employs about 13% of all employees in Turkey. The state budget continues to show a high deficit, and as a result, debt service was considerable, at 7.5% of GNI in both 2008 and 2009. Measures were undertaken to increase the quality of auditing and of budget planning, although the 2010 EC report accorded Turkey only limited progress in this field. In public administration there are some attempts or discussions about the modernization of the state's administrative capacity, but a comprehensive reform, including decentralization, is still not planned. In regard to efficient use of budget resources, the deviation of real expenditures from those pre-planned has stayed within acceptable margins. The two debt-related Maastricht criteria were met in 2008. Budget deficit to GDP was around 1.8% in 2008. The ratio of total public debt to GDP sank to about 38.8% in 2008 before increasing to an estimated 48.5% in 2009.

The one-party government has become a source of stability since 2002. Political leaders coordinate central governmental issues in accordance with local administrative issues. A harmonious performance on all levels of management necessitates political stability. Although the governing AKP failed to secure a two-thirds majority in the 2007 elections, it is still able to deal with conflicts of interest due to its sound 61.8% majority. In spite of an antagonistic political climate, the government was still able to win on a large number of important issues.

In February 2010 the government adopted a 2010 – 2014 strategy for enhancing transparency and the fight against corruption. In December 2009, a ministerial committee had been established to formulate anti-corruption strategies in cooperation with representatives of public institutions, labor unions and the Turkish Union of Chambers and Stock Exchanges (TOBB). An action plan was duly prepared and presented in April 2010. The 2010 EC report noted that, by June 2010, Turkey had already implemented 15 of the 21 recommendations made in the 2005 evaluation report by GRECO. Ethics training of government employees continued –

Efficient use of  
assets

6

Policy  
coordination

9

Anti-corruption  
policy

6

taking in some 7,000 employees between October 2009 and September 2010. No progress was made regarding the limitation of immunity for members of parliament accused of corruption-related offenses. However, for the first time the mayor of a metropolitan municipality (Adana) was suspended from his duties due to serious corruption allegations.

The European Commission recorded some progress made on the path to a comprehensive anti-corruption policy, but still noted that the measures decided upon had not been implemented in many areas. It expressed the conviction that Turkey still needed to set up a track record of investigations, indictments and convictions. There is some concern that, during its second term in office, the AKP has shown tendencies to nepotism and corruption, and that there might be several more cases like the Deniz Feneri incident.

## 16 | Consensus-Building

All major actors within and without political life in Turkey agree on a market economy and democracy. That is not just a consensus on which the political actors agree, but also the consequence of long-standing modernization, Westernization and EU-accession processes in Turkey.

Consensus on goals  
9

In principle, no anti-democratic veto powers threaten the government. Yet the National Security Council and the armed forces have exercised strong influence on the Turkish political system in the past, and may do so in the future. This very real danger was highlighted by the discovery in July 2008 of a network of high-ranking officers and officials (“Ergenekon”) who had been preparing a putsch, and the subsequent arrest of some 30 individuals. During the period of review, however, the government successfully enacted reforms and constitutional changes, leading to a substantial improvement of civilian control over the military.

Anti-democratic actors  
9

The cleavages between religious, conservative, traditional and modern groups hold potential for conflict that may escalate if the government does not resort to appropriate measures. The government failed to mediate many conflicts effectively. The 2010 EC report noted that an antagonistic political climate existed in the country. Supporters of the government and its reform program are pitched against the defenders of the “old” Kemalist system. Issues like the wearing of headscarves by female students in state universities and schools continue to split the country ideologically. During a visit by German Federal President Christian Wulff in October 2010, the wife of President Abdullah Gül became the first woman to wear a headscarf during an official state function – an act hotly debated by the Turkish public. In terms of ethnic conflicts, the government has attempted to de-polarize the cleavage between Turkish and Kurdish groups and has repeatedly emphasized the need for a political solution. There has been some success insofar as the PKK

Cleavage / conflict management  
7

announced a ceasefire in 2010 and indicated its willingness to contribute to a political solution. In order to bolster this policy, symbolic measures were adopted, such as the launching of a state television and radio channel in Kurdish in 2009. The position of non-Muslim minorities improved slightly, although the 2010 report by the European Commission points to the dire need to tackle this issue in a more satisfactory manner.

The current political leadership considers civil society to be an integral part of participatory democracy. The economic and professional interest associations and the media have been given a particularly important role. There still are some concerns about legal and bureaucratic problems faced by civil society institutions.

Civil society  
participation  
6

During the period under review, the government still has not been able to deal satisfactorily with the issue of the Armenian genocide during World War One. Partly due to changes in public opinion, now clamoring for more attention to be paid to the matter, it continued to display a greater degree of openness as regards a settlement of that issue than previous governments and the military have done. In September 2008, Turkish president Abdullah Gül became the first Turkish president ever to visit Armenia. However, normalization of relations between the two countries is still a long way off. There is still considerable resistance to Turkey acknowledging guilt or responsibility, and consequently against Turkey making more intensive efforts for reconciliation than in the past.

Reconciliation  
5

## 17 | International Cooperation

The multidimensional character of Turkish foreign policy is best shown by Turkish membership in a wide range of leading international and regional organizations, such as the United Nations, the Council of Europe, NATO, the OECD, the OSCE, the WTO, the Organization of the Islamic Conference (OIC), the Black Sea Economic Cooperation Organization (BSEC), the Economic Cooperation Organization (ECO) and the Developing 8 (D-8). Turkey has also been an EU candidate country since October 2005. The process of Turkey becoming an EU member started as early as the late 1950s. It has strongly influenced Turkish foreign policy ever since. Recently Turkey has begun to extend its economic ties beyond the Balkans, the Middle East, the Caucasus and Central Asia. Its official vision for the 21st century is to become a fully integrated member of the European Union, and also to become a leading country in the Middle East. Turkey participates, in the role as permanent observer, in the activities of the Organization of American States, the Association of Caribbean States and the AU. It seeks to establish similar links to the Arab League and the ASEAN.

Effective use of  
support  
9

For the most part the international community considers the Turkish government to be a credible and reliable partner, although there are still some suspicions of an alleged AKP “hidden agenda” to turn Turkey from a modern, secular, democratic state into an Islamic state.

Credibility  
9

Turkey adopted a “zero problems” strategy for its foreign policy in 2010. In doing so, it remained committed to the foreign policy strategy outlined by Mustafa Kemal Atatürk: “Peace at home, peace in the world.” The “zero problems” are to be applied particularly to the neighbors of Turkey. However, Turkey is involved in a multitude of conflicts, and it will take a long time to achieve a condition of “zero problems”. Turkey has a long-standing conflict with Armenia (over Turkish involvement in the Armenian genocide during World War One), a further cleavage with the Republic of Cyprus (Turkey continues to occupy the northern third of the island) and a dispute with Greece. Turkey intends to develop its south-eastern Anatolian provinces with the GAP which involves the construction of a large number of huge dams, and will consequently reduce significantly the amount of water in the Euphrates and Tigris rivers, on which Syria and Iraq depend. Relations between Turkey and its Middle Eastern neighbors have consequently soured. The new policy intended to overcome these tensions. According to the European Commission in 2010, Turkey has begun to play a constructive role in the Middle East.

Regional  
cooperation  
8

The new policy, at present more idealistic intention than political reality, originates to an extent in a re-orientation of Turkey’s vision for its future. EU accession has shown itself to be a slow and burdensome issue. Furthermore, Turkish politicians have come to realize that, in spite of the country being an EU accession candidate, and in spite of negotiations taking place to that end, there is considerable hostility to Turkey’s membership among several EU member states. Influenced also by its moderate Islamic program, the AKP government decided to intensify cooperation with the predominantly Muslim countries in the Middle East. Analysts are at present discussing whether Turkey has embarked upon a policy to become a regional great power, and if this policy might have replaced Turkey’s previous almost exclusive orientation towards the EU. Turkey signed a free trade agreement with Jordan in 2010, and entered into close cooperation with Iraq and Iran. It continues to cooperate with the countries of the South Caucasus and Central Asia, signing a strategic partnership agreement with Kazakhstan in 2010. The country will chair the Conference on Interaction and Confidence Building Measures (CICA) in 2012. On the negative side, Turkish relations with Israel have deteriorated considerably. In 2010 a Turkish Islamic organization sent ships with goods intended to support the Palestinians in the Gaza Strip. The Israeli navy, intending to uphold the Israeli-imposed blockade, intercepted the ship, and in the ensuing squabble several Turks onboard one vessel were killed. As a result Turkish opinion towards Israel became more acrimonious, while at the same time Israelis began to

boycott Turkish products, and the number of Israeli tourists to Turkey decreased sharply. Inversely, the action has caused the Turkish prestige to soar among the Palestinians, to the effect that the Turkish flag is now regularly seen in the West Bank and the Gaza Strip. Turkey showed itself to be aware of this tension, and managed to reduce it somewhat by dispatching a fire-fighting plane to Israel in order to help fight forest fires in the Carmel Mountain area in December 2010. The latter act indicates that Turkey is able and willing to play a constructive role in the volatile region of the Middle East and to cooperate with its regional neighbors. That positive verdict has to be qualified by drawing attention to long-standing conflicts, which have yet not been resolved.

## Strategic Outlook

In 1999 Turkey was declared a candidate country by the European Union, and membership negotiations began on 3 October 2005. The regular reports of the European Commission note that Turkey has, in fact, been engaged in a comprehensive, long-term process to align its institutions and its political and economic system with the standards set by the EU. There is still a broad consensus in society with respect to the political reform course; however, pro-European reformers in Turkey are weakened internally due to the lack of credibility of EU policies towards Turkey. Turkish political leaders have also come to realize that there is serious hostility to Turkey's EU membership.

This realization has led to a re-evaluation of Turkey's vision for its future. EU membership, hitherto seen as the only option, has competition from the idea that Turkey should instead concentrate on intensifying and strengthening its relations with the predominantly Muslim countries of the Near and Middle East. There is some reason to believe that at least some members of the Turkish elite regard a future of Turkey as a major regional power as more realistic and more desirable than Turkish membership of the EU. Although the country was hard-hit by the 2008 financial crisis, the Turkish economy profited from earlier reforms, and was able to make a speedy recovery which began in the second quarter of 2009 and continued into 2010. Growth rates exceeding 10% were reported for the first quarters of that year. However, FDI inflow was reduced, and the 2010 European Commission report notes that although macroeconomic stability has been preserved, it remains vulnerable and could profit from a stronger fiscal anchor.

The extreme income disparities between rural and urban regions, particularly in the eastern and south-eastern regions of the country are and will remain for some time an ongoing source of social problems. An antagonistic political climate is observable in the country. Supporters of the AKP government and its measures are pitched against defenders and partisans of the "old" Kemalist system and elites. Although the civilian leadership, to date, has been able to reduce the power of its opponents considerably, the underlying political tensions will remain a problem in the future. Constitutional amendments passed by the government over the fierce opposition of the main opposition party CHP, and ratified by the Turkish electorate in a plebiscite in September 2010, will, however, lead to the conclusion that Turkish democracy has gained in stability. The country is involved in many unsolved conflicts, both external and internal in nature. The Middle East continues to be a volatile region, while the Kurdish nationalist conflict in the interior and the issue of minorities still have the potential to de-stabilize Turkey. It is to be hoped that the country will be able to continue its development towards more satisfactory standards of democracy and market economy, yet it also appears imperative to draw attention to certain structural weaknesses in political, economic and social field.