

BTI 2014 | Turkey Country Report

Status Index	1-10	7.51	# 20 of 129	
Political Transformation	1-10	7.55	# 26 of 129	➔
Economic Transformation	1-10	7.46	# 22 of 129	➔
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	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	74.0	HDI	0.722	GDP p.c.	\$	18348.5
Pop. growth ¹	% p.a.	1.3	HDI rank of 187	90	Gini Index		40.0
Life expectancy	years	74.5	UN Education Index	0.608	Poverty ³	%	4.7
Urban population	%	72.3	Gender inequality ²	0.366	Aid per capita	\$	43.6

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. 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 majority-Muslim country with an explicitly secular political system. Its institutions operate with reasonable efficiency and in line with the constitution. In comparison with other countries in the Middle East, democratic rules of the game function rather well; elections are free and fair. In principle, all citizens have the same civil rights, and discrimination based on cultural, religious or ethnic differences is forbidden by the Turkish constitution. Still, ethnic (Kurdish) and religious minorities are discriminated against. Together with the European Convention on Human Rights, the Turkish constitution provides, in principle, warrants against any civil rights violations. The judiciary is free from both direct influence and intervention by other institutions, and the process of judicial review of legislative and executive acts functions adequately, however slowly.

The administrative system works sufficiently in general, and public security is assured throughout most of the country. Exceptions to the rule are parts of east and southeast Anatolia, where several militant Kurdish organizations operate. Participatory and pluralist democracy is supported and monitored by the European Union, which has monitored the performance of both the Turkish administration and judiciary since recognizing Turkey's candidacy for EU membership in 1999. In its 2005 annual progress report, the European Commission for the first time called Turkey a well-functioning market economy; the country has thus complied with one of the Copenhagen criteria. However, at the time of writing, the EU negotiations show no hope for the foreseeable future, and Turkey's membership remains a distant dream.

Turkey currently faces harsh debates about Prime Minister Erdoğan's future plans. There is a growing consensus that Erdoğan wishes to establish a presidential form of government in Turkey despite many criticisms and questions coming from the public. The government is working on a new constitution in cooperation with opposition parties in the parliament, a subject of heated

debate. It is hoped that the new constitution will facilitate the resolution of the ongoing Kurdish situation, which has cost Turkey serious human and economic capital over the past three decades.

The economic indicators are good, with rising exports and economic growth. After the financial crisis of 2001, an impressive fiscal consolidation and institutional reform package achieved success that has contributed to strong and so far sustainable economic growth, also weathering relatively well the 2008 global financial crisis.

Overall, GDP growth has been impressive. After a crisis-induced negative growth of -4.8% in 2009, it quickly recovered with impressive growth rates of 9.2% and 8.5% in 2010 and 2011, respectively. According to TurkStat, the country is now the 16th biggest economy of the Organisation for Economic Co-operation and Development (OECD) countries. On 8 March 2008, the European System of Accounts (ESA) was introduced in order to better reflect the sizeable informal sector. This reform, according to the annual report of the European Commission, has added one-third to the economy. Turkey hopes to clear IMF debt in 2013.

History and Characteristics of Transformation

The proclamation of the Republic of Turkey in 1923 (as one of the successor states of the Ottoman Empire) signaled a new phase in the long history of Turkey's social and political transformation, 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, with some justification, as unique, particularly with regard to the totality and success of that process against the background of a predominantly Islamic society. This process 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 an easy task. Turkish identity was and is a mix of identities, which contain Western European, Middle Eastern and Asian elements.

After the death of state founder Mustafa Kemal (who was awarded the honorary title Atatürk, "father of the Turks"), İsmet İnönü became the second president of the republic in 1938. One of his greatest achievements was to preserve Turkish neutrality during World War II. Still, Turkey 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 in the average standard of living. Its economic policies focused on infrastructure development, agricultural mechanization and eventually industrialization. During the second term of the DP, 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 led to the first military intervention under General Gürsel in May 1960. Prime Minister Adnan Menderes was removed from power. 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 governments was able to stay in power for long. In 1971, the military intervened again (in a so-called “coup by memorandum”). The Turkish economy performed relatively well during the period, with growth rates of about 5.7% until 1970 and with accelerated industrialization. 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 United States after the Turkish invasion of Cyprus in 1974, hit the country hard. Yet the core of the problem was 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 party that surged to dominance after the return to civilian rule in 1983 was the Motherland Party, led by Turgut Özal. A National Security Council, dominated by military officers, was set in place to guarantee order and the government’s adherence to the constitution.

Until 1980, the Turkish economy was mainly based on import substitution and the agricultural sector. Özal pursued a different policy, aimed at creating an export-oriented economy. 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. The government reduced state subsidies and instituted a value added tax in order to increase state revenues. Revenue-sharing bonds were issued, mass housing and privatization administrations established and free-trade zones formed. The consequence was an acceleration of economic growth and a lowering of the chronic foreign currency deficit. In spite of these successes, and a noteworthy empowerment of the private sector, the public finance policy led to serious budget deficits, which ushered in two severe economic crises (in 1994 and 2001).

Since 2002, the Turkish government has been working closely with the IMF and the World Bank to implement a structural reform program. The goal is to stabilize and strengthen the economy, mainly through controlling public expenditures and inflation, increasing transparency in public financial management, accelerating privatizations and foreign investment, and reforming the agriculture and financial sectors in accordance with EU membership requirements. Over the course of several years, the Turkish constitution has been amended many times (in fact, after the third electoral victory of the Party of Justice and Development, in 2011, work began on an entirely new constitution). Hundreds of new laws have been passed, most of which deal with modernizing the penal code and protecting free expression, religious pluralism and human rights. State security courts have been abolished. Since 2004, the council’s secretary-general has been chosen from among civilian candidates, rather than army members.

The most important underlying characteristic of Turkey’s various transformations has been the basic contradiction between the attempts by state elites to preserve the fundamentals of the

republic as conceived by Atatürk and written into every constitution, and the deviations from this norm created by political democracy and economic liberalization. Time and again, this contradiction has expressed itself in societal processes aiming to loosen the straightjacket of Kemalist orthodoxy, as defended mainly by the Republican People's Party (Cumhuriyet Halk Partisi, CHP). Since the electoral victory of the moderately Islamic Justice and Development Party (Adalet ve Kalkınma Partisi, AKP) in 2002, a power struggle has emerged between Kemalist and Anatolian elites; at the time of writing it seems that the former have lost. There is considerable debate among outside observers and Turks alike whether this conflict will eventually lead to the establishment of a more liberal system, with greater regard for human rights and social justice, or if it will simply lead to a shift of power from one kind of elite to another. The accession progress report of the European Commission for 2012 indicates that the latter appears to be more likely. Prime Minister Erdoğan is the most powerful politician since Atatürk. His political fate depends largely on whether he can tackle the Kurdish problem successfully. It might be argued that the government has the strength to accomplish this; furthermore the conciliatory efforts of imprisoned Kurdistan Workers Party leader Abdullah Öcalan justify cautious optimism.

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

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 there is a long-lasting Kurdish insurgency, which still has to be regarded as a major problem, with outburst of violence and serious human losses on both sides. Religious fundamentalism and well entrenched organized crime exist, but do not challenge the state monopoly on the use of force.

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. Identification with the Turkish nation-state is, in the case of some ethnic and religious minorities, negatively affected by a certain degree of official and unofficial discrimination against these groups. Though all citizens are entitled to the same civil rights, and though discrimination based on culture, religion and ethnicity is outlawed (reinforced by recent legislative changes), the attitude of large parts of Turkish society toward minorities 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 military officer.

The state functions as a secular system with modern institutions. From the foundation of the republic, secularism was the main basis of legal, social and political order. Religion does not have direct influence on politics. The ruling moderate Islamist/conservative AKP party has been accused by its opponents of having an Islamist hidden agenda. But, with the exception of a failed legal initiative to lift the ban on female headscarves in state universities, no openly Islamist policy has been pursued. The headscarf debate – a measure of the influence of religious identity in public discourses – is heated and has been fuelled by President Abdullah Gül's wife, Turkey's first first lady to wear a headscarf during official state receptions. In institutional terms, no "Islamization" has been apparent. Within the framework of Article 136 of the Turkish constitution (amended most recently in September 2010), the Directorate for Religious Affairs (Diyanet) continues to practice firm state control

Question
Score

Monopoly on the
use of force
8

State identity
7

No interference of
religious dogmas
7

over religious affairs. An essential shortcoming of Diyanet is the exclusion of religious communities other than Sunni Islam; neither the Alevi community nor non-Islamic religious groups are represented. However, starting in 2011, non-Muslim groups were consulted for the first time by the Turkish parliament in the framework of developing a new constitution, and several non-Muslim cultural sites are undergoing restoration at state expense. Together with the extensive attention given to the upkeep and restoration of Muslim religious buildings, this shows that religion is beginning to play a stronger cultural, if not yet political, role in Turkey.

According to a 2012 study by Bahçeşehir University in Istanbul, the Turkish population has become much more religious over the last 30 years. Approximately 85% of polled Turks defined themselves as religious, compared to 75% in 1990.

The administrative system works reasonably well. Nevertheless, there is need for a comprehensive administrative reconstruction before Turkey can claim a modern, decentralized, participatory and transparent administration. There are reform plans in the near future that aim, among other things, to help solve the Kurdish problem.

Basic
administration
9

A reform of local administration was launched in 2003. It intends to strengthen both the interior ministry's capacity for local administrative reform and to improve the service performance of local administrative institutions, in part by making better use of human resources through better training.

The legal system, particularly law enforcement, is, for the most part, unaffected by corruption.

2 | Political Participation

All elections since 1950 have been free and fair, with some qualification. When political parties began to reemerge 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. Some parties have therefore resorted to letting their candidates stand as independents. Once elected to parliament, they are allowed to form a faction if their number exceeds 20.

Free and fair
elections
8

In the last parliamentary elections, in 2011, there were allegations of fraud against the AKP, as well as accusations that voters had been intimidated before voting in an electoral district in southeastern Turkey. Current president Abdullah Gül lost twice in 2007 (before the parliamentary elections), but was voted into office by a comfortable AKP majority in parliament. This electoral procedure was not illegal, but attracted some harsh criticism from political opponents.

The democratically elected government has the effective power to govern, although in the past it was often constrained by the strong influence of the military in Turkish politics.

Effective power to govern
10

Since 2009, following the exposure of a military conspiracy to bring down the AKP government, civilian control over military matters has been considerably extended according to the European Commission's progress report for 2012.

The constitutional reform program of 2010 increased the power of the democratically elected government. Still, Turkey continues to be a deeply polarized country. The major divisions are between representatives of the old and new political orders as much as between religious and secular actors.

The legal framework supporting freedom of association is generally in line with international standards. Although overall public demonstrations are subject to fewer restrictions than in the past, incidents have been reported in which security forces used excessive force, especially when the demonstrations were carried out without permission.

Association / assembly rights
7

Amendments to the 1991 anti-terror law, as enacted in 2006, have remained in place during the period of consideration. These considerably expand what constitutes a terrorist offence. The law may constitute the most serious obstacle to free expression in Turkey.

Freedom of expression
6

The annual report of the European Commission in 2012, contrary to more optimistic reporting earlier, drew attention to numerous cases in which journalists and academics had faced problems, including criminal prosecution, due to their reporting or writing. The EC report referred particularly to the coverage of sensitive issues, such as the Kurds, minority rights, the Armenian issue and the role of the military. Still the number of court cases initiated with reference to the notorious Paragraph 301 (criminalizing "insults to Turkdom") has continued to decline.

The commission noted that there still exist certain violations of freedom of expression. These are based partly on defamation's being a criminal offence 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 so-called Ergenekon conspiracy have faced threats of prosecution for allegedly violating the principle that judicial proceedings should remain confidential while in process. The commission's report expressed concern that the press law might be encouraging self-censorship. A certain liberalization may be observable among newspapers in minority languages, but these newspapers nevertheless remain under tight state supervision.

There is also considerable concern about attempts by the government, politicians and other high-level authorities to influence the press. A 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 constitutes punishment for criticisms of the government published in Doğan's media. The frequent banning of Web sites has also raised concerns.

What the 2010 report of the commission expressed, namely criticism that Turkish law is not able to guarantee the level of freedom of expression demanded by the European Convention on Human Rights (ECHR) and the European Court of Human Rights (ECtHR), remains true. Reporters without Borders ranks Turkey 154th out of 179 countries in its 2013 World Press Freedom Report, six positions worse than in the year before and worse than countries like Iraq (150), Russia (148) and Ethiopia (137).

3 | Rule of Law

State powers in Turkey are in principle separated. However, the weakness of checks and balances, which has not been addressed sufficiently in the current constitution, raises concern. While the influence of the military leadership has considerably diminished, the government itself stands accused of exerting pressure on members of the judiciary. Allegations to that effect by journalists have sometimes been met with libel charges or worse.

Separation of
powers
8

The judiciary is relatively free from direct influence or intervention by other institutions. In earlier years, however, decisions of the High Military Council concerning personal affairs, especially expulsion from the ranks due to "political non-reliability," were not open to judicial review. More recently, government has occasionally applied pressure or otherwise interfered in judicial matters.

Independent
judiciary
7

The judicial system has some structural weaknesses. Cases proceed slowly and inefficiently, due to backlog and the large number of cases pending. With regard to the independence of the judiciary, the annual report of the European Commission points out that judges and prosecutors are attached to the Ministry of Justice with respect to their administrative functions. The High Council of Judges and Prosecutors, the supreme governing body of the judiciary, does not have its own secretariat, budget or separate premises (it is located in the Ministry of Justice). The judicial inspectors, who are responsible for evaluating the performance of judges and prosecutors, are attached to the justice ministry rather than to the High Council.

Judiciary reform is at the core of the constitutional reform program of 2010. The constitutional court, regarding itself the guardian of the secular values of the Kemalist system, has frequently clashed with the AKP 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 the way they are appointed. Under the reformed system, parliament selects three judges and the president selects the rest. Because

acting president Abdullah Gül is an AKP member and loyalist, critics charge that the measure gives the AKP too much power over the constitutional court.

The reforms also have increased the members of the High Council of Judges and Prosecutors (Hâkimler ve Savcılar Yüksek Kurulunun, HSYK) from seven to 21, 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 political parties; this power is instead exercised by 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 direction by the European Commission and other important institutions, uneasiness remains as to the motivation of the AKP government in implementing the reforms. While AKP sources speak of 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. Recent developments have lent further credibility to that view.

Generally, the state and society hold civil servants accountable and conflicts of interest are punished. However, politicians who misuse their public mandate or power in office run little risk of being charged and prosecuted by the state tribunal.

Prosecution of
office abuse
7

The report of the European Commission for 2010 noted no progress on this issue, and the 2012 report expressed similar dissatisfaction.

Overall, there has been some limited progress in the fight against corruption, notably on increasing transparency in public administration. However, some express concern that local administrators belonging to the AKP – a significant majority – have escaped scrutiny to some extent, and that the situation is actually worse than it appears.

By June 2010, Turkey had implemented 15 of the 21 recommendations contained in the 2005 evaluation reports by the Group of States against Corruption (GRECO, which belongs to the Council of Europe). However, both GRECO and the report of the European Commission of 2010 press for further measures, particularly with regard to more transparency on the financing of political parties and election campaigns. In March 2010, for the first time, the mayor of a metropolitan municipality (Adana) was removed from office because of serious corruption charges. At the time of writing, the investigation continues, as do other prominent fraud cases (for instance that of the charity association Deniz Feneri). The commission noted, both in 2010 and in 2012, that Turkey has still not established a sound track record of investigations, indictments and convictions.

In its 2012 report, GRECO noted that the complicated structure of bribery offences was only worsened by the most recent legal reforms. Criminalization of bribery currently applies only to the person accepting a bribe and not to the person offering one. Generally, the problem seems to be that the legal definitions of bribery and corruption are insufficiently clear. GRECO was particularly concerned with the weakness of legislation regarding the funding of political parties.

Overall, civil rights are guaranteed and protected. Yet, although a written regulation exists, members of religious minorities are excluded in practice from becoming civil servants or army officers. The European Commission supervises Turkey regarding the fulfillment of the Copenhagen political criteria. Furthermore, as a member of the European Council, Turkey is obliged to implement the provisions of the European Convention on Human Rights (ECHR).

Civil rights

7

Turkey ratified the Optional Protocol to the U.N. Convention against Torture (OPCAT) on 27 September 2011, but it has not yet ratified two additional protocols to the ECHR, namely Protocol 4 (on civil imprisonment, free movement, and expulsion) and Protocol 7 (on crime and family).

The number of rulings of the European Court of Human Rights (ECtHR) finding Turkey guilty of violating the ECHR continues to increase. Most of the rulings concern the right to a fair trial and protection of property rights. The commission report noted with approval that Turkey has complied with the majority of the ECtHR 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. Some human rights defenders even face criminal proceedings.

The government has continued its attempts to establish legal safeguards for the work of security forces. Yet the commission report of 2012 states clearly that disproportionate use of force by law enforcement bodies has continued. In spite of the limited number of persons tried for sometimes fatal maltreatment of prisoners, the commission report of 2012 indicated a long backlog of similar cases. The prison service in general has come under severe criticism, mostly on account of maltreatment of inmates and detainees, yet also of deficient sanitary and health conditions. It also expressed concern about prisoners being denied sufficient access to legal aid.

On a more positive note, Turkey has decided to judicially investigate the military coup of 1980. Those suspected of human rights violations are expected to be brought to justice. It remains to be seen if these proceedings will turn out to be a proper judicial reckoning with the events of 1980 – 1983, or if the government will use them to take repressive measures against opposition forces.

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 authority, as described in the Turkish constitution. Since 1999, the administrative system and the justice system have been examined and improved under the guidance of the European Commission. Still, the 2012 progress report of the European Commission is distinctly more pessimistic in undertone than previous reports, indicating a certain stagnation in the reform process.

Performance of
democratic
institutions
8

All relevant political and social players, with the exception of the PKK and its successor organizations, accept Turkey's democratic institutions as legitimate. The ruling AKP party has gained a lot of trust among the population since its inception: 62% trusted the party in 2012, compared to 29% in 2001. Hence, AKP reaches higher trust levels than the Turkish Parliament, which scored 58% on societal trust, according to a 2012 study of Bahçeşehir University.

Commitment to
democratic
institutions
8

5 | Political and Social Integration

The Justice and Development Party (AKP) held a comfortable majority in the period between 2002 and 2007, and was even able to improve on its electoral performance in June 2011. In the elections of 12 June 2011, it scored 49.83% of the vote, while the main opposition parties, the Republican People's Party (CHP) achieved 25.98% and the Party of the Nationalist Movement (Milliyetçi Hareket Partisi, MHP) 13.01%. Prime Minister Recep Tayyip Erdoğan thus continued in office. As demographic adjustments had changed the number of deputies, the AKP got 327 seats (14 fewer than in 2007); the CHP was able to increase its seats by 23, to 135; and the MHP lost 18, leaving it with 53. Also voted in were 35 independents, all backed by the Kurdish Peace and Democracy Party (BDP) under its Labor, Democracy and Freedom Bloc alliance.

Party system
7

All in all, 15 political parties tried to run for parliament, and all but three foundered on the 10% electoral threshold. 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. However, it appears that the AKP – garnering almost half of all the votes cast – seems to be the closest thing to what in Europe would be called a people's party.

Still, Turkish society is highly polarized, and this polarization seems to have increased in the recent past.

There is a large number of interest groups promoting the growth of participatory democracy, and of public awareness for social problems. Currently, there is an increasing variety of organizations in Turkey, including approximately 80,000 registered associations, and several hundred unions and chambers. Yet, the major actors of civil society have had only limited influence on policymaking in recent years.

Interest groups
8

Recent civil society laws have become markedly more severe, notably by designating as a potential foreign agent any NGO that accepts funding from abroad. Some Turkish NGOs consequently have decided to no longer accept such funds.

On the positive side, some NGOs received protection from courts against politically motivated closures by the government. Overall, the European Commission report of 2012 accords Turkey a legal framework broadly in line with EU standards, but criticizes difficulties still faced by civil society institutions.

The consent of Turkish people to democracy is very high. Both the Pew Global Research Center and SES Türkiye found in 2012 that, in the Middle East, only the Lebanese people expressed a stronger approval (84%) of democracy than the Turkish people (71%). This applies particularly to the young. 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 rather low.

Approval of
democracy
8

Autonomous, self-organized groups and voluntary associations are traditionally well developed and well organized. They work and cooperate well with each other. These organizations enjoy a high level of trust among the population. Surveys from the mid-2000s, however, indicate that trust among individuals is rather low, only 5%, according to the World Value Survey 1996. In 2011, OECD data valued the level of social trust in Turkey at about 20% – 25%.

Social capital
5

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

According to statistics, Turkey may be described as a thriving economy, which has weathered the recent economic crisis rather well. But there still exist severe inequalities of income and of access to education and well-paid jobs. Gender inequality remains high; the Gender Mainstreaming Strategy established in 2008 does not seem to have been successful so far. One's ethnicity, religion and place of

Socioeconomic
barriers
5

residence continue to have a serious impact on access to education and jobs. The gap between poorer and wealthier groups in Turkish society continues to widen.

The United Nations Development Programme's 2011 Human Development Index ranks Turkey with a value of 0.699, at position 92 – three positions better than in the year before. With this improvement, Turkey advanced from the group of countries with “medium human development” to join those with “high human development.” However, there continue to be extreme income disparities between rural and urban areas, particularly in the east and southeast regions of the country. These uneven development patterns affect economic structures and cause significant social problems. Certain improvements have been made: In 2008, Turkey's Gini index stood at 39.0, indicating progress from 41.2 two years before. But, according to the World Bank's 2012 World Development Indicators, 4.2% of the Turkish population lives on \$2 or less per day.

The same report puts life expectancy at birth at 73.7 years and adult literacy at 90.8%, once again a slight improvement compared with previous values. There still is a considerable difference in male and female literacy (96.4% and 85.3%, respectively). Gender inequality in other fields (access to education, employment, etc.) remains considerable (index value 2011: 0.443), though a significant reduction has been achieved since 2010.

The population growth rate has continued to sink and is calculated at 1.2%. The unemployment rate, 11.0% for 2008, rose steeply to 14.6% in 2009, but fell again in 2010 to 11.9%.

Generally speaking, the school-age population enjoys continually expanding access to education. Gross enrolment ratio is 102.4% primary (including literacy campaigns), 77.6% secondary and 45.8% tertiary, a notable increase over recent years.

Still, the quality of education is generally low. There also is an elitist tradition in the country, which means that the educational system is geared to the needs of highly gifted students, who later will work in the formal sector.

Consequently, the middle and low end of the labor market suffer the most problematic shortages of human capital. This issue has not been addressed sufficiently, and the high end still enjoys priority in the educational system. Although the system is in principle merit-oriented, students from higher-income families still enjoy a distinct advantage. Concerns about negative implications for efficiency and equity are frequently expressed, but so far they have not been acted upon.

Religion and ethnicity continue to be problematic issues: Groups of the population not considered Turks, and who are not Sunni Muslims, continue to suffer from

discrimination. Non-Muslims are still not able to become military officers or public servants.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	614553.9	731144.4	774775.2	789257.5
GDP growth	%	-4.8	9.2	8.8	2.2
Inflation (CPI)	%	6.3	8.6	6.5	8.9
Unemployment	%	14.0	11.9	9.8	-
Foreign direct investment	% of GDP	1.4	1.2	2.1	1.6
Export growth	%	-5.0	3.4	7.9	17.2
Import growth	%	-14.3	20.7	10.7	0.0
Current account balance	\$ M	-12168.0	-45447.0	-75092.0	-47748.0
Public debt	% of GDP	46.1	42.4	39.2	36.4
External debt	\$ M	277977.6	299859.5	307007.3	-
Total debt service	\$ M	62719.6	59232.1	56468.0	-
Cash surplus or deficit	% of GDP	-5.3	-2.9	-1.3	-
Tax revenue	% of GDP	19.3	20.4	20.1	-
Government consumption	% of GDP	14.7	14.3	13.9	14.8
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	5.1	5.0	5.0	-
R&D expenditure	% of GDP	0.85	0.84	-	-
Military expenditure	% of GDP	2.6	2.4	2.3	2.3

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

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 European Commission's report of 2011 – 2012 noted that the Competition Authority's overall capacity was high, that it had a satisfactory level of administrative and operational independence,

Market-based
competition

8

and it possessed well-trained staff. Its performance in implementing competition rules was commended.

The 2005 currency reform (1 new Turkish lira was substituted for 1,000,000 old Turkish lira), coupled with the significantly reduced rate of inflation have so far guaranteed the convertibility of the Turkish currency; recently it was, for the first time, considered an investment currency. Recently the lira faced a sharp devaluation in the region of 20%.

The number of newly established firms has declined. Foreign owners continue to face restrictions in various areas, among them civil aviation, maritime transport, road transport, ground-handling services, broadcasting, energy, accounting and education.

The share of the informal sector continues to be very high in comparison to other European economies, and the existence of a substantial informal economy 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.

With the establishment of the customs union, Turkey fulfilled the obligation to adopt EU antitrust legislation and established an independent body (High Committee for Competition) whose mission is to monitor the market and implement the antitrust rules when necessary. The committee operates effectively with regard to privatization, mergers and acquisitions, and it also ensures that market positions are not abused.

Anti-monopoly
policy
8

The 2010 report of the European Commission acknowledged some progress in the field of Turkish antitrust legislation. It insisted, on the other hand, 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 European Coal and Steel Community (ECSC) free trade agreement. The report commended Turkey for adopting a state aid law establishing a monitoring authority.

The European Commission reported in 2012 limited progress in the general principles applicable to the free movement of goods. In some areas, for example pharmaceuticals, conditions have even deteriorated, resulting in a de facto ban for these products due to excessively time-consuming licensing procedures. The WTO

Liberalization of
foreign trade
8

notes that import licenses are still required for the import of goods considered old, renovated or faulty. In principle, import licenses are maintained on tariff quota administration, health, sanitary, phytosanitary and environmental grounds.

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. These include customs duties (customs tariffs, and the Mass Housing Fund levy) and internal taxes (excise duties also known as the Special Consumption Tax, the VAT, and the stamp duty). As a result of its participation in the customs union with the EC/EU, Turkey has, since 1996, based its tariff on industrial products and the industrial components of processed agricultural products (imported from third countries) on the EC/EU common external tariff. Turkey's tariff comprises ad valorem (97.9% of total lines, down from 98.5% in 2003) and non-ad valorem rates (specific, mixed, compound and variable duties), applying to 378 items at the HS 12-digit level, up from 284 in 2003. Using the WTO definition, the average applied Most Favored Nation (MFN) tariff is substantially higher in agriculture (47.6%) than on non-agricultural products (5%).

According to the WTO, some 46.3% of Turkey's tariff lines are bound. 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 leave 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 the so-called statutory tariff. Indeed, the government can replace rates of the applied 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, then 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 antidumping measures. As of August 2007, it had 93 definitive antidumping 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 General Agreement on Tariffs and Trade (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 with the EU, mainly on nonagricultural products; a free-trade agreement, also on nonagricultural goods, with the European Free Trade Association (EFTA); and nine bilateral agreements in force (with Bosnia-Herzegovina, Egypt, Morocco, the Palestinian Authority, Syria, Tunisia, Croatia, Israel and Macedonia). Negotiations continue with other countries. 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 into 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. Basel II standards have recently been adopted. According to a report prepared by the 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 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 report of the European Commission 2008, this 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 a 2011 World Bank report, nonperforming loans fell to about 3.1% (down from a peak of 6% at the end of 2009). Stress tests by the regulators have proved that Turkey's financial sector is sound.

8 | Currency and Price Stability

The crisis of 2008 caused inflation to rise to 6.3% in 2009 and 8.6% in 2010, before it fell to 6.5% in 2011. Headline inflation was thus significantly above the central bank target of 5.0%. Food prices were affected with particular severity.

Core inflation, already up to about 4% by August 2010, rose to approximately 9.8% in 2011. However, since the recovery from the crisis was robust, Turkey's real policy

Banking system
9

Anti-inflation /
forex policy
9

rate is now low. The Turkish central bank, expecting a period of strong growth, has substantially eased the extraordinary measures put in place during the economic crisis in 2009.

Currency reserves requirements have been increased. The operational structure of the central bank's liquidity management has 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. Overall, price stability worsened, chiefly because of pressures stemming from energy and food imports and buoyant economic activity, triggering a tighter monetary stance.

The global financial crisis caused a correction in Turkish asset prices and currency (by October 2008), indicating the danger of further output losses and inflationary pressures. Due to previous restructuring measures and comfortable prudential indicators, the impact on the Turkish banking system has, so far, remained limited. External financing needs, together with the reliance of the private sector on external financing, and a sizeable – although falling – debt stock have been identified as potential vulnerabilities of the Turkish economy. Inflation returned to single-digit figures (6.5%) in 2011.

Runaway state spending has been brought under control, although measures to reduce it were not as successful as a five-year medium-term fiscal framework (MTFF 2008 – 2012) aimed for. Expected to reduce public debt to 30% in 2012, the real figure, according to the IMF, stands at 41.7%. This, however, is still a significant reduction from previous values, which reached 70% in 2001 (though less than 40% by mid-2008).

After completion of the stabilization program (2002 – 2006), Turkey adopted a new development strategy. It attempted to raise growth potential by means of higher public investment, job creation, further structural reforms and better education. This endeavor faced numerous difficulties, such as the necessity of balancing the desire for higher growth with the need to maintain price stability and reduction of the account deficit. The EU commission noted in its 2012 report that the policy mix adopted by the Turkish financial authorities was overall quite successful, and macroeconomic stability had been achieved. But the report expressed concerns about Turkish macroeconomic stability's continuing vulnerability to shocks.

9 | Private Property

Property rights and the regulation of the acquisition of private property are in principle well defined in the Turkish legal system. The 2012 report of the European Commission said Turkey had made further progress in aligning legislation with

Macrostability

8

Property rights

9

provisions for copyright protection and related risks. Weak administrative capacity, frequent and inconsistent changes of legislation, and conflicts over collective management of rights remained problematic issues. Also, religious and ethnic minorities frequently face difficulties having their property rights respected; an example of this is the Syriac monastery of Mor Gabriel. In January 2011, the Turkish Supreme Court ruled that substantial amounts of land within and surrounding the monastery (which had been the monastery's property for centuries) in fact belonged to the Turkish state. This decision was upheld by the Turkish Supreme Court of Appeals on 13 June 2012.

Private companies are given wide legal and institutional safeguards. They comprise the most important component of the Turkish economy. Privatization is continuing (albeit at a slower rate than before the crisis), and in a way that is consistent with elementary market principles. The export sector is the engine of the Turkish economy; here nearly 98% of the 500 most important exporting firms are private companies.

The time required to establish a company was shortened and application procedures have been simplified. According to the Turkish treasury, the time to establish a business can be as short as one day, if the necessary documentation is already prepared. Corporate governance principles are not fully implemented. The World Bank in 2010 (renewed in 2013) estimated the average time needed for the registration of private property to be six days, in order to complete six mandatory procedures, thus putting Turkey at rank 72 globally.

Turkey has a small and medium enterprise (SME) strategy in line with the European Charter for Small Enterprises. A common SME definition for all Turkish institutions was introduced, and is in line with the *acquis communautaire*.

10 | Welfare Regime

In October 2008, the new Social Insurance and General Health Insurance Law went into effect. In recent years, there has been a marked increase in insured persons; this number rose by 9% between May 2011 and May 2012, now covering ca. 90% of the Turkish population. Under new legislation, health insurance is paid either by the individual or by the state, following a means test. The number of undeclared workers, although continuing to decrease, is still high. Such workers are still deprived of the protection of labor laws and pension rights. Turkey reported a large deficit in the pensions system, which did widen considerably in the wake of the crisis. Access to primary health services has improved. The health care system, however, continues to suffer from staff shortages.

Private enterprise
10

Social safety nets
6

The 2012 report of the European Commission noted some progress in the field of equal opportunity. Achieving substantive equality between men and women was part of the constitutional reforms approved in September 2010. Yet, in spite of considerable activity by the government and parliament, the employment and labor force participation rates of women remain lower than in all the EU states, and among the lowest of all OECD countries (25.7% in 2009). Women are particularly underrepresented in mid- and high-level management.

Equal opportunity
7

On the other hand, the report also notes that no transposition of the *acquis communautaire* covering discrimination on grounds of racial or ethnic origin, religion, disability, age or sexual orientation could be observed. Although written regulations do exist, the members of religious and ethnic minorities continue to be practically excluded from becoming civil servants or army officers.

11 | Economic Performance

The rapid recovery of the Turkish economy after both crises (2001 and 2008) was to a large extent due to tight monetary and fiscal policies, as well as to structural reforms. Although the economy was hit with medium severity by the financial crisis of 2008, recovery was rapid and sound.

Output strength
8

GDP grew from \$731.1 billion (\$15,600 per capita) in 2010 to \$773.1 billion (\$17,500 per capita) in 2011. The contraction of -4.7% in 2009 was followed by an impressive recovery, beginning in the second quarter of 2009 and continuing until the time of writing.

Exports decreased by some 5.4% in 2009, increased by 3.4% in 2010 and decreased again by 5.9% in 2011. Imports, having decreased sharply by 14.4% in 2009, increased by 20.7% in the following year, only to decline again by 2.4% in 2011.

Inflation fell to 6.5% in 2011. Net public debt to GDP fell from 92% in 2001 to 41.7% in 2011. Although this progress is impressive, the projected mark of 30% for 2012 could not be reached.

Foreign Direct Investment (FDI) reached \$9.634 billion in 2011 (more than the total value of the last 20 years), significantly more than the low figure of 2009 (\$4,359 billion), but still significantly less than in 2007 and 2008 (\$14,550 billion and \$11,528 billion respectively). As percentage of GDP, FDI fell from 1.3% in 2009 to 1.2% in 2010.

The current account deficit, reduced to \$14.0 billion in 2009, recently rose sharply (\$46.6 billion in 2010, \$76.9 billion in 2011).

The close connection to the IMF forms one of the most important anchors for the Turkish economy. Now that EU membership is not the only political goal for the mid- to long-term future, the economic consequences of the EU accession process have somewhat decreased in importance.

12 | Sustainability

Turkey has not ratified the Kyoto protocol, and is not party to the Espoo and Aarhus Conventions. It has not transposed the Emissions Trading Directive and related decisions of the European Union.

Environmental
policy
5

The report of the European Commission for 2012 described limited progress on horizontal legislation, but also growing concern within Turkey about a nuclear power plant to be built with Russian assistance. It is to be erected in a part of the country threatened by earthquakes, which has given rise to safety concerns.

Another large project of environmental concern is the Southeastern Anatolia Project, which envisages the construction of numerous hydroelectric power stations in the southeast. There is considerable resistance to these plans.

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 2012 EC report. The report criticized the country's meager progress in the areas of water quality, nature protection, industrial pollution, risk management and climate change.

The U.N. education index of 2011 gave Turkey a rate of 0.583. In 2006, the most recent value, Turkey expended 2.9% of GDP on education. Gross enrollment for primary, secondary and tertiary levels was 102.4%, 77.6.0% and 45.8%, respectively. Literacy is quite high (90.8%), with substantial inequalities between male (85.3%) and female (96.4%) literacy. Meanwhile, school enrollment by sex skews the other way: The 2011 ratio of female to male enrollment stands at 98.3%, 91.5% and 79.3% (at primary, secondary and tertiary levels, respectively).

Education policy /
R&D
8

The 2012 report of the European Commission 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 the EU average. Enrollment rates continued to increase; that also applied to compulsory preschool education, which was introduced in 32 provinces. It is to cover all provinces of the country by 2012 – 2013. The number of public and private universities continued to increase and has reached 171.

Generally speaking, recent educational reforms do not seem to have yielded the expected results.

The 2010 EC report hailed progress in 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 home. Turkey's 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 0.85% of GDP in 2009; the majority of these funds were allocated to industrial R&D. 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 program 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 lies in its relatively high level of economic development and a relatively young and well educated labor force. Turkey's often-cited location as bridge between Europe and Asia brings strategic advantages, while its location on the rift of three tectonic plates (Eurasian, African, and Arab) brings severe earthquake risks that pose additional constraints on Turkey's economic development. A great problem is the deficient infrastructure in southeast and east Anatolia. There are great difficulties in reconciling elements of traditional and modern society. Further problems include abovementioned deficiencies in the administrative and legal systems. The beginning of the accession negotiations with the EU in October 2005 contributed significantly to the preservation of political and economic stability. In the recent past, the role of the EU in this respect has diminished considerably.

Structural
constraints

4

Turkey only has a moderately well developed tradition of civil society. While historically there existed civil society institutions, they cannot be said to have functioned apart from the state. Civil society institutions, on the contrary, served in most cases to facilitate administration of remote areas where the state was weak, and also played a role in urban administration. Thus in Turkey it is difficult to distinguish clearly between civil and official society, as the two are clearly interwoven. This also explains how the state regards civil society institutions: If they fall into the abovementioned classical category, they play an important role and are often consulted by the government. Civil society institutions that oppose the state, its policies or its measures are, on the other hand, regarded with great suspicion and often face severe legal and financial obstacles. The European Commission report of 2010 has noted this situation with some concern. Recently passed legislation has further aggravated the situation of civil society institutions.

Civil society
traditions

6

The heritage of the Ottoman Empire is still significant in present-day Turkey. Turkish society comprises 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 modern constitutional citizenship and not on ethnicity. Consequently, Turkishness or Turkdom refers to all citizens of Turkey. Since all Turkish citizens enjoy the same

Conflict intensity

5

rights and benefits of citizenship, there is no such nomenclature as “minority” in Turkey, except for the three recognized by the Treaty of Lausanne: Armenians, Greeks and Jews. The treaty stipulates that minorities in Turkey consist only of non-Muslim communities. There are, however, various ethnically different communities in Turkey, which are eager to qualify themselves as minorities according to international and European standards. Conflict potential between the different groups in Turkish society exists along the Kurdish/Turkish and the Islamic/secular lines. Moreover, extreme Turkish nationalists and nationalistic Kemalists are at least as militant and aggressive as their opponents, and the answer to the question “who agitates whom” is by no means a clear one, if seen from a longer historical perspective.

It is difficult to determine which of the two main conflicts – that between Turkish and Kurdish nationalists, or between Islamists and secularists – is more dangerous.

The latter conflict pits the AKP government and its supporters against the Kemalists, most strongly entrenched in the armed forces. The 2010 report of the European Commission notes an antagonistic political climate. At present, particularly after the uncovering of the 2009 Ergenekon conspiracy, the government and its supporters seem to have triumphed, particularly after a number of constitutional amendments were approved in the September 2010 plebiscite. Tension remains high. The conflict involves not only different political actors, but different political cultures: While the government claims it is making efforts to transform Turkey from an authoritarian to a modern democratic country, its opponents claim that the government is simply trying to harness the power of the state for the government’s interests.

Some progress can be noted in the Kurdish conflict: At the end of 2009, Prime Minister Recep Tayyip Erdoğan announced, before an audience of 400,000 Kurds in Diyarbakir, his intention to launch a new initiative for a political solution to the conflict. The announcement met with a mix of approval and doubt about the sincerity of the initiative. At the end of 2010, the PKK announced a ceasefire, and some view it increasingly as a political party, rather than a militant movement.

II. Management Performance

14 | Steering Capability

During the period under review, the government was determined to continue a reform process, begun in 1999, in the areas of democracy and human rights. The political leaders have been rather effective in initiating reforms with the aim of improving democracy and human rights standards by aligning Turkish legislation and

Question
Score

Prioritization
8

implementation further with international and particularly with EU norms. Undoubtedly, the requirements of EU harmonization play a crucial role in accelerating the process, and in the period under review the European Commission classified the reforms and improvements as compatible with the Copenhagen criteria.

Reform activity was high during the period under review. Economic recovery after the effects of the 2008 crisis hit Turkey, in 2009, was high on the list of priorities. 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, Turkey, under the leadership of the moderate Islamic AKP government, also began to reevaluate the country's strategic alternatives to EU accession in light of the fact that accession might still be a long way off, if not made impossible by the continued hostility of several EU member states. Foreign Minister Ahmet Davutoğlu is regarded as the architect of a new orientation of Turkish foreign policy towards establishing the country as a regional great power. The AKP government also has made efforts to intensify the cooperation with other Muslim countries and peoples in the Near and Middle East.

In its report for 2012, the European Commission confirmed that Turkey has had good success in implementing many of the reform measures taken in various fields. The government was able to overcome considerable resistance to several of its intended measures, particularly after it received strong popular support for its constitutional reforms in the plebiscite of September 2010.

Implementation
9

In Turkey, the political leadership holds the decision-making power and is somewhat unwilling to delegate it. Due to this old-fashioned attitude, the majority of the political elite still shows little willingness and ability to learn. Accepting failures is the first condition of learning from that failure.

Policy learning
8

Yet, in the area of relations with the EU, at least Prime Minister Erdoğan, who has linked his political credibility with a successful EU entry process, demonstrated his capacity for complex learning. The same could be said of Foreign Minister Ahmet Davutoğlu, who is credited with a reorientation 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 also has developed remarkable aptitude in his attempts to defuse internal conflicts in the country.

Overall, the AKP government is continuing to display greater willingness to learn, and greater flexibility than its predecessors when it comes to exploring alternatives. However, this process is still at an early stage and will need to 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. The personnel policy of the government 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 a 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 to 3.2 million in 2012.

Efficient use of
assets

6

In the area of public administration, there are some attempts or discussions on the modernization of the state's administrative capacity, but a comprehensive reform, including decentralization, is still not planned. With regard to efficient use of budget resources, the deviation of real from preplanned expenditures stayed within acceptable margins. The two Maastricht budget criteria were met in 2008, with a deficit of around 1.8% in 2008 and 1.4% in 2011, and total public debts, measured as share of GDP, of about 38.8% in 2008, 48.5% in 2009, and 41.7% in 2010. To promote state budget consolidation, measures were taken to increase the quality of auditing and budget planning, although the 2010 report of the European Commission credited Turkey with only limited progress in this field.

The one-party government has become the country's central pillar of stability since 2002. The political leaders coordinate the central governmental issues in accordance with local administrative issues. A harmonious performance on all levels of management necessitates political stability.

Policy
coordination

9

Although the governing party AKP failed to secure a two-thirds majority in the elections of 2007 and 2011, it is still able to deal with interest conflicts due to its sound 59.5% majority in parliament (327 out of 550 seats). In spite of an antagonistic political climate, the government still was able to prevail in a large number of important issues.

The government adopted a 2010 – 2014 strategy for promoting transparency and the fight against corruption in February 2010. Already, in December 2009, a ministerial committee had been established that was to formulate anticorruption 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.

Anti-corruption
policy

6

By June 2010, Turkey had already implemented 15 of the 21 recommendations made in the 2005 evaluation report by the Council of Europe's Group of States Against Corruption (GRECO).

Ethics training of government employees continued, involving the training of some 7,000 employees between October 2009 and September 2010. The 2010 report of the European Commission noted that no progress was made regarding the limitation of immunity for members of parliament in corruption-related offences. However, for the first time, the mayor of a metropolitan municipality, Adana, was suspended from his duties due to serious corruption allegations, on 28 March 2010.

The commission report recorded some progress towards a comprehensive anticorruption policy, yet noted that many chosen measures had not been implemented. It urged Turkey to set up a track record of investigations, indictments and convictions. Problem areas are the general definition of corruption, one-sided prosecution (those offering bribes are frequently not persecuted) and party funding. The 2012 GRECO report admonished Turkey to improve its performance in these fields.

16 | Consensus-Building

All major actors in Turkey agree on a market economy and democracy. That consensus is the consequence of longstanding modernization, Westernization and EU accession processes in Turkey. However, the latter has lost some of its attraction in recent years for wide swaths of Turkish society, and the government has increasingly stressed that accession to the EU is not Turkey's only option.

Consensus on goals
9

Doubts have risen about the type of democracy that might be the ideal of AKP and related (Islamist) circles. Debates on rethinking Turkish democracy are held frequently.

Except for a few extremist groups on both sides, the peaceful resolution of the Kurdish issue, however, is a goal that is shared by all political actors. While one side hopes for increased rights for the Kurds, the other may simply long for peace and stability.

In principle, there are no antidemocratic veto powers to threaten the government. Yet the National Security Council and the armed forces have exercised strong influence on the Turkish political system. The uncovering, in July 2008, of a network of high-ranking officers and officials (Ergenekon) that allegedly had been preparing a putsch, and the arrest of some 30 individuals, illustrate that the hazard of military influence persists, even if it was successfully countered in this instance. During the period of review, however, the government enacted reforms and constitutional changes to substantially strengthen civilian control over the military.

Anti-democratic
actors
9

The cleavages between religious, conservative, traditional and modern groups harbor potential for conflict that may escalate unless the government finally resorts to appropriate measures. The government failed to effectively mediate many conflicts. The 2012 report of the European Commission confirmed the antagonistic political climate already referred to in 2010. Supporters of the government and its reform program are at odds with the defenders of the Kemalist system. Issues like the wearing of headscarves by female students in state universities and schools continue to split the country ideologically. The wife of President Abdullah Gül became the first first lady to wear a headscarf during an official state function, a development that was hotly debated by the Turkish public.

Cleavage /
conflict
management
7

In terms of ethnic conflicts, the government has attempted to depolarize the conflict between Turkish and Kurdish groups and has repeatedly emphasized the need for a political solution. These measures have met with some success, insofar as the PKK announced a ceasefire in 2010 and indicated its willingness to contribute to a political solution. The position of non-Muslim minorities improved slightly, although the 2012 report by the commission points to the dire need to tackle this issue in a more satisfactory manner.

The current political leadership seems to consider civil society as an integral part of participatory democracy, yet, in practice, civil society institutions often face severe difficulties. Economic and professional interest associations and the media have been given a particularly important role – yet only as long as they are considered useful by the government. Civil society institutions critical of the government or advocating policies deemed against the interests of the government fare much worse. Recent legislation has arguably weakened the position of civil society institutions. It is to be hoped that the new constitution will address and remedy this problem.

Civil society
participation
5

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 I. Partly due to changes in public opinion and renewed calls for more attention to be paid to the matter, the government displayed a greater degree of openness on the issue than have its predecessors and the military. In September 2008, Turkish president Abdullah Gül became the first Turkish president to visit Armenia. However, normalization of relations between the two countries is still a long way off. There is still considerable resistance in Turkey to acknowledging guilt or responsibility, and consequently against making more intensive efforts for reconciliation. Turkish-Armenian relations are also strained due to Turkey's support for Azerbaijan in the Armenian-Azerbaijani conflict.

Reconciliation
5

The “zero-problem policy,” which Foreign Minister Ahmet Davutoğlu intended to implement a few years ago, has not succeeded. Turkey is at present involved in conflict with several of its neighbors: It has taken an anti-Assad stance in the civil war in Syria; it has quite a tense relationship with Iraq, particularly with the Kurdistan

Autonomous Region in the north of the country; and Turkey is locked in conflict with Greece and the EU, not least due to the unsolved Cyprus issue.

Finally, there remains the most important issue of reconciliation in the interior. Prime Minister Erdoğan has made several advances in establishing rapport with the Kurdish minority, and imprisoned PKK-leader Abdullah Öcalan has recently called upon his followers for a ceasefire and entry into a political process with the aim of establishing a lasting peace. It remains to be seen if these promising steps will lead to success.

Furthermore, there are the many non-Muslim groups who faced (and in some cases continue to face) considerable harassment from Turkish authorities. If reconciliation with these groups is to be achieved, the “Turkish-Islamic symbiosis,” which implies that only Muslims can be true Turks, must be replaced with a discourse of citizenship in which all Turkish citizens – regardless of religion or ethnicity – are equal before the law. It will take a considerable period of time and a great deal of goodwill on all sides for this to happen.

17 | International Cooperation

The multidimensional character of Turkish foreign policy expresses itself in and is best reflected by Turkish membership in a wide range of leading international and regional organizations. These include the United Nations, the Council of Europe, the North Atlantic Treaty Organization (NATO), the Organization for Economic Cooperation and Development (OECD), the Organization for Security and Cooperation in Europe (OSCE), the World Trade Organization (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 been a candidate country to join the EU since October 2005.

The process of Turkey acceding to the EU started as early as in the late 1950s. It has strongly influenced Turkish foreign policy ever since. More recently, it has become doubtful if joining the EU is Turkey’s most important long-term goal. The country 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 of permanent observer, in the activities of the Organization of American States, the Association of Caribbean States and the African Union. It seeks to establish similar links to the League of Arab States and the Association of South East Asian Nations.

Though still receiving a noticeable amount of financial and technical support from other, mainly Western donor countries, Turkey itself has constantly increased its

Effective use of
support
9

development cooperation and is listed today as the world's biggest donor outside the OECD -DAC (Development Assistance Committee) group of countries, spending \$967 million in 2010 (equivalent to 0.13% of GNI). Thanks to its military power, it is an accepted partner in EU military missions; as the situation in Syria deteriorated, NATO in October 2012 assured Turkey it was ready to defend the country in case of armed attacks on its territory.

For the most part, the international community considers the Turkish government to be a credible and reliable partner. Past suspicions of an alleged hidden agenda of the AKP to turn Turkey from a modern, secular, democratic state into an Islamic state have subsided. International actors appear confident that the AKP does not want to change either Turkey's Western orientation or specifically its close collaboration with the United States. On the contrary, it is recognized that Turkey will gain in importance as actor and broker not only between Europe and Asia, but also in the troubled Middle East region.

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 with the world." The zero-problems strategy was to be applied particularly to Turkey's neighbors.

Regional
cooperation

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However, Turkey is involved in a multitude of conflicts. Examples include the conflict with Armenia (over the Turkish involvement in the Armenian genocide during World War I), another with the Republic of Cyprus (Turkey continues to occupy the northern third of the island), and another with Greece (enforced mutual population exchange in the aftermath of World War I). Relations with Armenia and the Republic of Cyprus have not improved, while relations with Greece are at a stalemate. Turkey's intention to develop its southeastern Anatolian provinces through the Southeastern Anatolia Project (Güney Anadolu Projesi, GAP) involves the construction of a large number of huge dams. That would significantly reduce the amount of water in the Euphrates and Tigris rivers, and thus has the potential to harm relations with Syria and Iraq.

The zero-problems strategy has failed. This is not only the fault of Turkey. The civil war in Syria put Turkey in the role of provider of humanitarian aid, but the country also had to invoke NATO assistance for the protection of its borders.

EU accession has shown itself to be a slow and burdensome issue. Furthermore, Turkish politicians have come to realize that the country faces considerable hostility by several EU member states to its proposed membership. Influenced also by its moderate Islamic program, the AKP government decided to intensify cooperation with the predominantly Muslim countries in the Middle East. Turkey's relations with Israel have gone from cordial to tense over the issue of Israeli treatment of the Palestinians. Analysts are discussing whether Turkey has embarked upon a policy of

becoming a regional great power, and if this policy might have replaced Turkey's formerly almost exclusive orientation towards the EU. More recent observations support the idea.

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.

It is thus able and willing to play a constructive role in the volatile region of the Middle East and to cooperate with its regional neighbors.

Strategic Outlook

In 1999, the European Union declared Turkey as a candidate country, 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 in order 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 political reform; however, pro-European reformers in Turkey are weakened internally due to the sense among many Turks that EU policy toward Turkey lacks credibility. Turkish political leaders also have come to realize that there is serious hostility toward Turkey's membership in the EU.

This realization has led to a reevaluation of Turkey's vision for its future. EU membership, hitherto seen as the only option, has gotten competition from the idea that Turkey should rather concentrate on intensifying and strengthening its relations with the predominantly Muslim countries of the Near and Middle East. Some members of the Turkish elite regard a future in which Turkey becomes a regional great power as more realistic and more desirable than EU membership.

The extreme income disparities between rural and urban regions, particularly in the east and southeast 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. There is also the increasingly obvious problem that leading politicians of the AKP are dreaming of creating an authoritarian system.

The country is involved in many unsolved conflicts, both external and internal. The Middle East continues to be a volatile region. The Arab Spring, initially greeted so enthusiastically in the West, seems to be foundering. The war in Syria will probably be a protracted one, confronting Turkey with not only the problem of an unstable neighboring country but also with increasing waves of refugees. Although Israel has made some approaches to Turkey in order to mend fences after the near-rupture of diplomatic relations in 2010, Turkish-Israeli relations are not likely to normalize overnight. The policy of *détente* with Armenia is deadlocked because of Turkey's close ties with Azerbaijan and the Nagorno-Karabakh conflict. Another issue will be the centenary of the Armenian genocide in 2015; it remains to be seen if this occasion will bear an improvement of relations or a deeper alienation between Turkey and Armenia. Relations with Iraqi Kurdistan develop at the expense of relations with the central Maliki government in Iraq, so more problems are expected in Turkey-Iraq relations in the near future.

The conflicts in the interior, with the forces of Kurdish nationalism and over the issue of minorities, still have the potential to destabilize 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 of Turkey in the political, economic and social field. Whether the country will be able to overcome the effects of its legacy of authoritarianism remains to be seen.