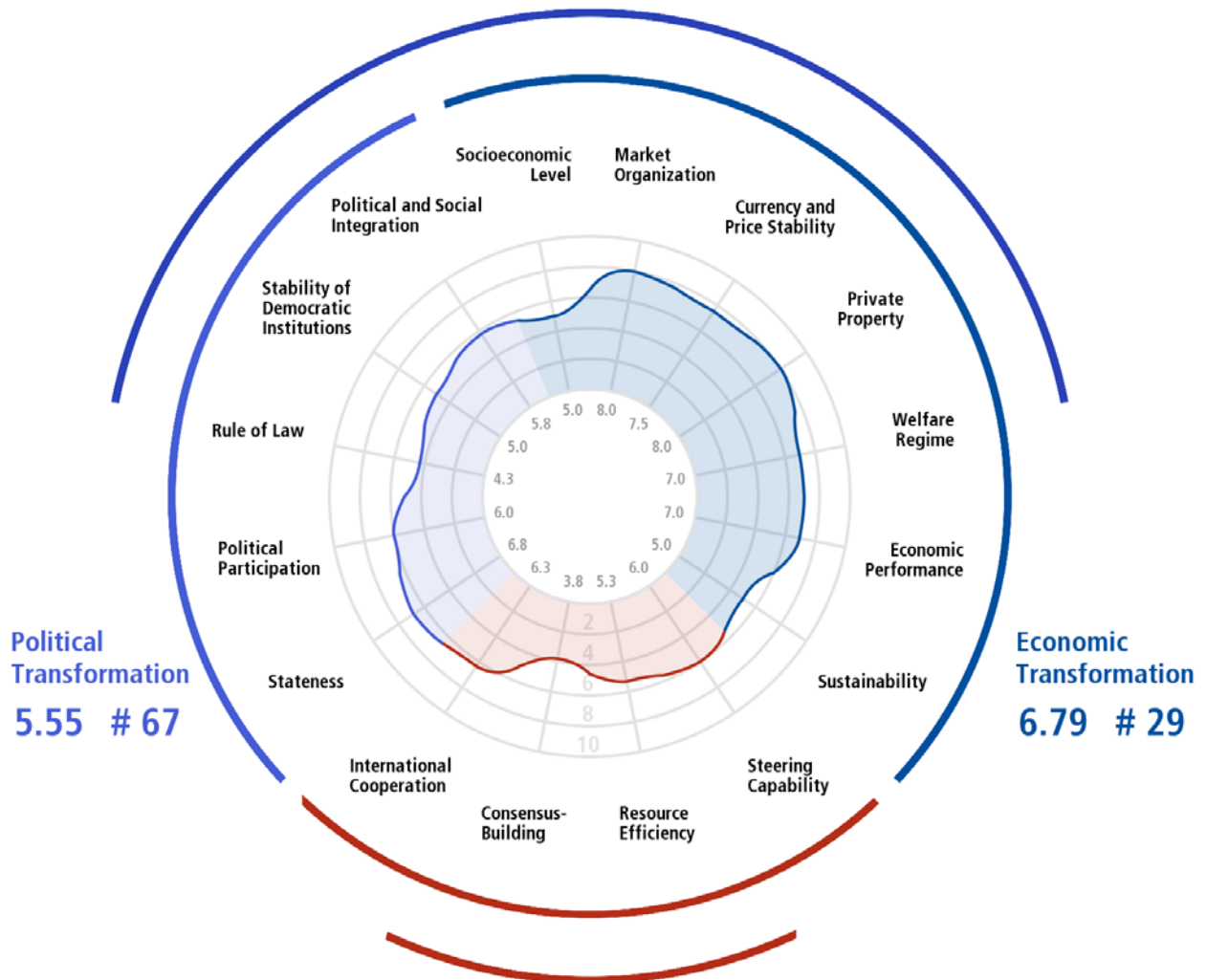


Turkey

Status Index

6.17 # 51

on 1-10 scale out of 129



Political Transformation
5.55 # 67

Economic Transformation
6.79 # 29

Governance Index

4.72 # 74

on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. 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>.

Please cite as follows: Bertelsmann Stiftung, BTI 2018 Country Report — Turkey. Gütersloh: Bertelsmann Stiftung, 2018.

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Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Robert Schwarz

Phone +49 5241 81 81402
robert.schwarz@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	79.5	HDI	0.767	GDP p.c., PPP \$	24244
Pop. growth ¹	% p.a.	1.6	HDI rank of 188	71	Gini Index	41.2
Life expectancy	years	75.4	UN Education Index	0.706	Poverty ³	% 2.4
Urban population	%	73.9	Gender inequality ²	0.328	Aid per capita \$	27.4

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Traditionally, Turkey featured a secular political system. Under the leadership of former Prime Minister and current President Recep Tayyip Erdoğan, the system has increasingly adopted “Islamic morals,” particularly during the two years under review (February 2015 –January 2017).

Since the July 2016 failed putsch attempt and subsequent state of emergency, countermeasures taken by the government have reached unprecedented severity. The government has reacted with draconian force against oppositional forces, usually claiming that they are in league with the “movement” of exiled populist-Islamic preacher Fethullah Gülen. Tens of thousands of state employees have been sacked and extensive purges of the judiciary, military, police, media, and academia carried out. The judiciary – which formerly could be said to be independent – has been weakened by pressure from the AKP government. In January 2017, President Erdoğan secured parliamentary approval for a presidential system. If approved by voters in the public referendum in April 2017, this political transformation will considerably extend his powers and, in the view of most foreign observers, pave the way for a more or less dictatorial government.

Beyond these worrying trends, Turkey’s institutions operate with reasonable efficiency and in line with the constitution. The administrative system works sufficiently and public safety is assured throughout most of the republic. Exceptions to the rule are parts of Eastern Anatolia and Southeastern Anatolia, where several militant Kurdish organizations continue to operate.

In principle, all citizens have the same civil rights; yet ethnic Kurdish and religious minorities suffer from discrimination. Such prejudice is contrary to the Turkish constitution, which forbids discrimination based on culture, religion and ethnicity. The Turkish constitution and European Convention on Human Rights (ECHR), in principle, provide protection against civil rights violations. However, the government temporarily suspended parts of the ECHR after the failed putsch in July 2016. Periodic reports by the European Commission monitoring progress on

democratization and the market economy, however, have become increasingly wary in recent years that the AKP government shows authoritarian tendencies.

GDP growth has been impressive since the country's 2001 financial crisis, even considering the negative impacts of the global financial crisis of 2008. Turkey has the world's 17th largest GDP by PPP and 17th largest nominal GDP. Growth rates have, however, declined in the period under review, though this may be attributable to a common process among emerging economies which set out from a modest beginning.

Inflation, vast income disparities and negative spillovers of the crises in the Middle East and Eastern Europe are challenges which Turkey will have to tackle. The increasingly precarious security situation and consequent reduction in revenue from tourism – estimated as high as 40% for 2016 alone – have made the Turkish economy far weaker. By the beginning of 2017, the exchange rate of the Turkish lira began to suffer sharply in comparison to the U.S. dollar.

History and Characteristics of Transformation

The 1923 proclamation of the Republic of Turkey as one successor state of the Ottoman Empire signaled a new phase in the long social and political transformation of Turkish society. The Kemalist ideas of restructuring politics, the economy, culture and society, have been described as unique, particularly given its totality and success in a predominantly Islamic society.

Mustafa Kemal Atatürk, founder of the republic, sought to amalgamate Western and pre-Islamic Turkish culture to create a new “national culture” beyond the heritage of the Ottoman Empire. Being at a strategic political and cultural “crossroad” between Europe and Asia did not render this endeavor an easy task. Turkish identity was and is a blend of identities, containing Western European, Middle Eastern, and Asian elements.

After Atatürk's death in 1938, İsmet İnönü became the second president of the republic. One of his greatest achievements was to preserve Turkish neutrality during World War II. The Democratic Party (DP, founded in 1946, the year Turkey embarked on multiparty democracy), won a landslide victory in 1950 and remained in power until 1960. This period was marked by economic growth and a substantial increase in living standards. During DP's second term, however, economic conditions deteriorated immensely. Inflation and public debt soared as the government adopted increasingly repressive policies 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.

This military rule was short-lived; one and half a years later the country returned to civilian control. In 1963, Turkey signed an association agreement (Ankara Agreement) with what was then the European Economic Community, which included the prospect for full membership in the future. In subsequent years, the political situation remained tense, as none of the ruling governments were

able to stay in power for long. In 1971, the military intervened again (in a so-called coup by memorandum), pushing Turkey into a renewed period of political instability and economic crisis. Two oil crises and a military embargo imposed by the United States after the Turkish invasion of Cyprus in 1974 hit the country hard. Yet the core of the difficulties was political polarization between the communists and ultranationalists. The situation became unsustainable in the late 1970s and 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 emerged dominant 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 established to guarantee order and government adherence to the constitution.

Until 1980, the Turkish economy was primarily based on import substitution and the agricultural sector. Özal pursued a different economic policy, aiming to create an export-oriented industry. The new liberal economic policies also led to fundamental changes in fiscal and monetary policies as well as a liberalization of imports and exports. State subsidies were reduced and a value added tax put into effect. Revenue-sharing bonds were issued, public housing and privatization administrations established, and free trade zones formed. The result was an acceleration of economic growth and a reduction in size of the (chronic) foreign currency deficit. In spite of significant progress and noteworthy empowerment of the private sector, the government's fiscal policy has led to serious budget deficits. These deficits have resulted in two severe economic crises (in 1994 and 2001).

Cooperation with the IMF and World Bank since 2002 has led to a significant number of reforms. These reforms managed to stabilize the economy and enhanced the functionality of the Turkish state under civilian leadership. In 2005, the European Commission for the first time described Turkey as a well-functioning market economy; the country had thus met one of the Copenhagen accession criteria and was on its way to eventual EU membership.

Politically, the Turkish military was brought under firm civilian control. However, while some old challenges have been resolved, others continue to fester (particularly with regards to the Kurdish minority) and new conflicts have arisen. The latter originate with the AKP's increasingly authoritarian style of rule and its hitherto unchallenged leader Erdoğan (who constitutionally had to step down as prime minister in 2014 after three terms of office and is now president). The political climate in the country is one of extreme polarization and there are no forces observable that could affect reconciliation, particularly since the attempted military putsch in July 2016.

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. There is, however, a long-standing ethnic conflict with the Kurdish minority in the south-east of the country. Religious fundamentalism and well-entrenched organized crime exist, but do not seriously challenge the state's monopoly on the use of force. Notwithstanding, the porous borders with Syria (where civil war rages) and Iraq (where Islamic radicals continue to control a considerable portion of the country) are reasons for concern. State control in these areas may be regarded as limited, contested mostly by Kurdish PKK militants. Several attacks on vital tourist sites, for which either the Islamic State (IS) group or Freedom Falcons of Kurdistan (a PKK splinter group) have claimed responsibility, severely hit the tourism industry during 2015 and 2016.

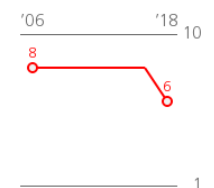
The heritage of the Ottoman Empire remains significant in present-day Turkish society. Every nationality of the Ottoman Empire is represented in Turkish society. According to Article 66 of the Turkish Constitution, "everyone bound to the Turkish state through the bond of citizenship is a Turk." Turkish nationality is thus based on a modern constitutional citizenship and not on ethnicity. Consequently, Turkishness/Turkdom 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 1923 Treaty of Lausanne (Armenians, Greeks and Jews). The treaty stipulates that minorities in Turkey consist only of non-Muslim communities.

Turkish officials have therefore long considered the Kurds as not representing a minority. Indeed, 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

Question
Score

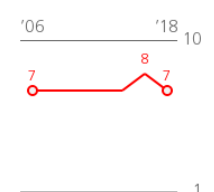
Monopoly on the
use of force

6



State identity

7



entitled to the same civil rights and discrimination based on culture, religion or ethnicity is outlawed (reinforced by recent legislative changes), the attitudes of large segments of Turkish society toward 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 military officer.

The state used to function as a secular political institution: from the founding of the republic, secularism was the main basis of legal, social and political order. This does not deny the important role Sunni Islam played from the beginning as a quasi-official religion, strictly supervised by the state. Accusations against the ruling moderate Islamist/conservative AKP party that it was pursuing an “Islamist hidden agenda,” however, have proven partially correct: in the field of public morals (consumption of alcohol, wearing a headscarf) the current Turkish government pursues more “Islamic” policies than in the past. There have been no negative effects on non-Muslim communities yet, but the days of Turkey being a strictly laicist country seem numbered. This has in fact had some positive side-effects: the Turkish state is far more amenable to the upkeep, restoration and – announced in January 2015 – construction of non-Muslim places of worship.

As for non-Sunni Muslim communities, well-known challenges persist. They do not have any official representation within the state and as such continue to be marginalized.

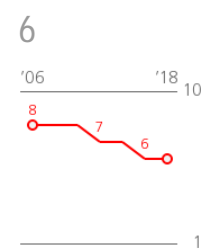
The administrative system works reasonably well. Nevertheless, there is still the need for a comprehensive administrative reconstruction before Turkey can claim a modern, decentralized, participatory and transparent administration. Numerous administrative reforms have been introduced since 2003, but there remains much room for improvement. Thousands of government workers have been fired and detained since the July 2016 coup attempt. These terminations have had negative effects on the administrative system, yet have not crippled it. The change to a presidential system envisaged by President Erdoğan and his AKP supporters would weaken institutions charged with limiting the executive, but also enhance the effectiveness of the administration. The price to be paid would be a severe reduction of democratic transparency.

2 | Political Participation

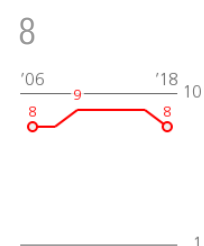
All elections since 1950 have, in principle, been free and fair. Yet, after the 1980 military coup, the (re-)emerging political parties had to conform to rules set by the military authorities. A 10% electoral threshold (one of the highest in the world) severely restricts the number of political parties able to enter parliament.

During the 2011 elections and 2014 communal elections there were allegations of electoral fraud. Similar allegations were made during the two (June and November)

No interference of religious dogmas



Basic administration



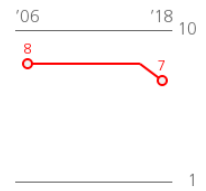
Free and fair elections

7

parliamentary elections of 2015. The June 2015 election again saw the AKP as the strongest party, though with 40.9% of the vote it had lost its absolute majority of parliamentary seats. Two opposition parties represented in the previous parliament – the Republican People’s Party (CHP) and Nationalist Movement Party (MHP) – also passed the electoral threshold. In addition, a political newcomer, the newly formed People’s Democratic Party (HDP), not only entered parliament, but also achieved similar electoral success (13.8% of the vote) as the established MHP. Before the election, Turkey had changed its voting laws to allow the participation of Turkish citizens living abroad. After the June 2015 election, the AKP was accused of influencing vote counting as well as voter fraud using fake addresses and the names of deceased persons. There were also allegations that the government had impeded campaigning by opposition parties and that the AKP had illicitly used state funds. The strong control the government already exerted over the media represented a disadvantage for opposition parties. President (former Prime Minister) Erdoğan openly campaigned for the AKP, although the constitutional role of the president is to be neutral. Worst of all, there were numerous incidents of politically motivated violence, predominantly against candidates of the opposition parties. In spite of the numerous allegations, the Organization for Security and Cooperation in Europe (OSCE) and President of the European Parliament declared the election to have been free and fair.

The loss of their absolute majority forced the AKP to seek coalition partners to form a government. Negotiations with the CHP and MHP, however, came to naught, requiring a new election. Critics of the government alleged that the failure of negotiations was strategic, as the AKP hoped to better its electoral result. A new election was held on 1 November 2015. The AKP’s expectations proved justified: it won 49.5% of the vote, which translated into 57.64% of seats. The CHP managed to achieve its previous result, while both MHP and HDP struggled to cross the 10% electoral threshold. The AKP victory came after the security situation in the country had severely deteriorated due to the breakdown of ceasefire negotiations between the government and Kurdish PKK. Once again, the government stood accused of having rigged the election. While outside observers had declared the June 2015 election free and fair, this time they partially substantiated these accusations. The Parliamentary Assembly of the Council of Europe (PACE) openly denounce the election as “unfair.” The OSCE expressed “serious concerns” over the fairness of the vote. The government’s reaction to the July 2016 putsch bodes ill for the continued freedom and fairness of parliamentary elections.

The democratically elected government has the effective power to govern, and the reforms of the past have effectively removed the veto powers once held by the military. Parliament, with its vast AKP majority, in most cases supports the government. Influential business leaders and clerics also generally support the government. After the failed coup of summer 2016, no new group has as yet emerged to challenge the government, which stands accused of monopolizing power to the



Effective power to govern
9

detriment of all oppositional forces. Consequently, there is considerable concern about the antagonistic political atmosphere in the country. The increasingly authoritarian policies pursued by President Erdoğan, who advocates a presidential system coupled with the abolition of the office of prime minister, must be seen as a grave danger for Turkish democracy.

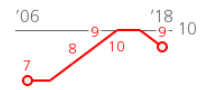
The Turkish legal framework concerning freedom of assembly used to be generally in line with international standards. However, since the anti-government demonstrations of summer 2013 it has gradually been curtailed. After the failed coup d'état of July 2016, freedom of assembly has become even more restricted. Organizing demonstrations has become almost impossible, with security forces regularly using massive force to dispel "illegal" gatherings. A state of emergency was declared following the putsch attempt and has been in place ever since. This entails the temporary suspension of parts of the European Convention on Human Rights.

The tendency to curtail freedom of expression observable between 2012 and 2014 (as noted by the progress reports of the European Commission) continued. Anti-terrorism laws seriously limiting freedom of expression have remained in place. Many journalists remain in custody or have been recently arrested. A particular focus of these arrests has been reporting on the events surrounding the Taksim Gezi Park protests of summer 2013.

This should not be taken as an indication that freedom of expression per se has diminished. In some areas – notably the Kurdish issue and the Armenian genocide during World War I – freedom of expression has in fact increased. What gives rise to concern is rather that media critical of the government face increasing harassment and restrictions. The government shows considerable creativity in order to curtail freedom of the press: large media corporations (e.g., Doğan Media Group) have been given high tax fines; in other cases, access to internet platforms such as YouTube and Twitter have been temporarily suspended.

Thus, the accusations raised by the European Commission in recent years – namely that Turkish law is not able to guarantee a level of freedom of expression as demanded by the European Convention on Human Rights (ECHR) and the European Court of Human Rights (ECtHR) remain true. The Reporters without Borders network continues to list numerous violations of freedom of the press; most of these target individuals or groups alleged to be critical of the government.

Matters have become considerably worse since the crushing of the July 2016 attempted coup d'état: the government has clamped down with increasing harshness on all forces supposedly critical. Some of the purges initiated after July 2016 targeted independent and critical journalists; more than 150 journalists were arrested. Access to websites critical of the government (e.g., TurkeyPurge.com) were blocked by order of the Turkish courts. Observers consider the government to be in near absolute



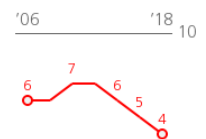
Association /
assembly rights

4



Freedom of
expression

4



control of the media; the few remaining independent or opposition media see themselves faced with massive harassment and hindrances.

3 | Rule of Law

Following its harassment of judiciary personnel in past years, the government actions since the failed coup d'état of summer 2016 have amounted to a purge of the judicial system. Judicial independence has been gravely impaired. Outside observers predict that the planned introduction of a presidential system will reduce the power of the judiciary even further. The April 2017 constitutional referendum envisages the concentration of almost all power in the hands of the executive, greatly weakening the influence of the parliament. It thus aims at replacing a pluralist democratic system with a majoritarian authoritarian one.

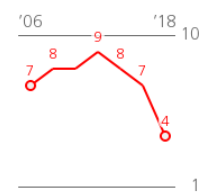
While Turkey's reform steps were directed toward meeting EU standards, advances were also made within the judicial system. Yet, beginning with the Taksim Gezi Park protests in 2013 and even more since the 2016 coup attempt, the judiciary has come under considerable government pressure, giving reason for concern about its continued independence. Judges and other personnel suspected of being critical of the government – most often due to their supposed allegiance to the Fethullah Gülen movement, which the government has come to regard as one of its most important enemies – have been harassed or transferred without their consent. This was particularly observable in the investigations of corruption charges against government ministers from December 2013 onwards. The judicial system continues to suffer from structural weaknesses. Cases proceed slowly and inefficiently, due both to backlog and the large number of cases pending.

Since the failed military putsch of July 2016, government actions against the judiciary have increased both in severity and scale. Here, the judiciary was involved both as suppressor and suppressed. According to Human Rights Watch, the courts were used to place at least 1,684 judges and prosecutors in pretrial detention in the first three weeks after the putsch. Given these developments, an independent judiciary in Turkey in the future is anything but likely.

Generally, the state and society hold civil servants accountable and conflicts of interest are sanctioned. Among politicians, however, the misuse of their public mandate or office remains very difficult to prosecute within the state tribunal. For example, corruption charges against members of the government and their families which came to light in December 2013 were not properly investigated; police and judicial officials found themselves faced with considerable harassment by the government. The European Commission has called for greater political will and civil society involvement to fight corruption. Considering the current political situation

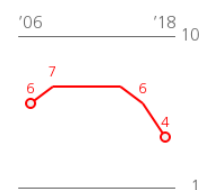
Separation of powers

4



Independent judiciary

4



Prosecution of office abuse

5

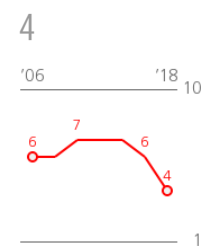


and government's behavior since the 2013 corruption cases it is likely the situation will not improve in the near future.

Since the 2016 attempted coup, the government claims mass arrests and dismissals are part of its fight against the "Fethullah Gülen movement." However, the government's actions seem to be executed without any proportionality and there is suspicion that these actions rather serve to legitimate the president's power.

As a member of the Council of Europe (CoE), Turkey is obliged to implement the provisions of the European Convention on Human Rights (ECHR). In recent years, however, the European Court of Human Rights (ECtHR) has ruled in numerous judgments that Turkey was guilty of violating the ECHR. Human rights institutions continue to suffer from a lack of resources, independence and efficacy. Some human rights defenders even face criminal proceedings. While civilian oversight of the army and security forces remains stable, judicial control of intelligence has narrowed. Government action since the failed coup d'état of July 2016 has aggravated the situation even more. Tens of thousands of employees have been dismissed from state service or even arrested, including members of the judiciary, police, army administration and education system. Many of the detainees have not been informed of the charges against them and will have to wait a long time to stand trial. Accusations of prisoner torture were made public in late 2016. The state of emergency declared after the putsch attempt (initially for a period of three months, but regularly extended since) included the suspension of parts of the European Convention on Human Rights, gravely affecting the civil rights of Turkish citizens.

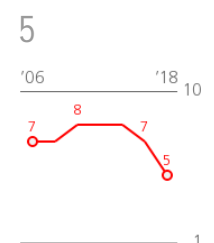
Civil rights



4 | Stability of Democratic Institutions

Until the coup in 2016, basic democratic institutions worked together relatively harmoniously and effectively. All relevant political decisions were prepared, made, implemented and reviewed by the appropriate organ, as described in the Turkish constitution. This was accompanied by constant screening from the European Commission, especially since the official beginning of accession talks in 2005. The 2014 progress report of the European Commission was already quite critical of stagnation and even reversal of the democratization process. The exceedingly authoritarian policies pursued by the government, culminating in the de facto adoption of a presidential system in January 2017 – which will grant the president almost dictatorial powers – is a case for worry. Pending voter approval in the April 2017 referendum, this reform may turn Turkey into a dictatorship.

Performance of democratic institutions

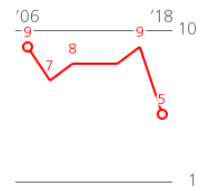


All relevant political and social players, with the exception of the PKK and its successor organizations, used to accept the democratic institutions as legitimate. Recently, however, there is reason for grave concern, given the lack of respect for democratic principles shown by President Erdoğan. With the June 2015 elections, for the first time the Turkish electorate had passed a verdict critical of the AKP

Commitment to democratic institutions

5

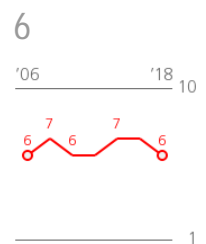
government and even returned the Kurdish-oriented HDP party to parliament. The early election of November 2015 (just five months after the previous election) was constitutionally unnecessary and apparently a result of AKP government machinations to better its electoral results. After the putsch attempt of July 2016, democratic freedoms were massively curtailed and critical media shut down almost completely. The referendum on a presidential system, which would give President Erdoğan almost unlimited powers, further attests to the president's lack of commitment to democracy. Most Turks considered the putsch attempt an assault on democracy and consequently rejected the putschists' intentions. This may be interpreted as the Turkish people's strong commitment to democracy.



5 | Political and Social Integration

A considerable number of parties exist in Turkey. The high electoral threshold (10%), however, means that only four parties are represented in parliament: the Justice and Development Party (AKP), Republican People's Party (CHP), Nationalist Movement Party (MHP) and People's Democratic Party (HDP). The AKP is a moderate Islamist party and may be seen as following in the tradition of the Welfare Party founded in the 1970s. The AKP mainly recruits its voters from Anatolia and among the more religious segments of society. Its program envisages bringing Turkey back to its "proper" roots by enhancing the role of Islam in society, but also developing Turkey into a regional power. Since its first electoral victory in 2002, it has managed to expand its power base continuously. This has allowed it to win the general elections of 2007 and 2011 with a comfortable majority. The party also has been able to withstand a test when long-serving Prime Minister Recep Tayyip Erdoğan was not allowed to run for the office of prime minister a fourth time and instead opted to contest the presidential elections in summer 2014. He was elected President of Turkey with almost 52% of the vote.

Party system



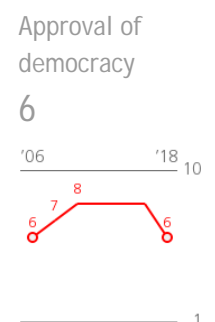
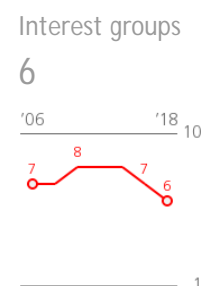
The country's oldest party is the CHP, which was founded by Mustafa Kemal Atatürk. Traditionally a nationalist party dedicated to upholding the Kemalist ideology (which combines nationalism, secularism and etatism), it has recently transformed into a social democratic party. Its voters are mainly secular-minded urban inhabitants. The MHP is an extreme Turkish nationalist party with a program that is both anti-Kurdish and anti-left. To a certain extent it regards itself, rather than the CHP, as the "true" Kemalist party. The HDP is the most recently founded of all the parties represented in parliament. Its establishment was due to a decision by Kurdish and left-wing MPs (who had managed to enter parliament as independents) to contest the 2015 elections as one party (even if not passing the electoral threshold would have ended their terms in parliament). It advocates Kurdish interests and the transformation of Turkey into a more democratic, tolerant, and multicultural country.

The parties are not strongly socially rooted and often do not have a long tradition. This is a consequence of the military coups which occurred in 1960, 1971 and 1980: after each coup, some parties were outlawed, necessitating the foundation of new parties (often marketing similar programs under a different name). A tradition of clientelism means that voters consider their MPs responsible for their interests. Generally speaking, personalities are more important than party affiliation. A comparison between the June and November 2015 elections indicates that there is considerable voter fluctuation (even given that the November 2015 elections have been widely criticized as unfair).

There is considerable antagonism between the parties and their followers. CHP voters regard the AKP with suspicion, particularly on account of its religious policies. The MHP, with its strongly Turkish nationalist program is fiercely opposed to the HDP advocating Kurdish and left-wing interests. It is a regular occurrence that splinter groups form from the main parties, though none of these newly founded parties has managed to develop strong voter appeal. The expectation that anti-government groups would band together to found a new party after the 2013 Taksim Gezi Park protests did not materialize, probably due to the high degree of fragmentation of political views among the protesters.

Approximately 80,000 registered associations, and several hundred unions and chambers promote the growth of participatory democracy and public awareness on social problems. Yet, the major actors of civil society have had only limited substantial and beneficial influence on policymaking in recent years. As in other areas, the influence of civil society organizations has been curtailed considerably. The failure of the numerous interest groups involved in the Taksim Gezi Park protests of summer 2013 to organize a credible political opposition movement has shown that the clout of such organizations is less than had been commonly assumed. The situation has further worsened since the crackdown on civil society after the putsch attempt of summer 2016. The mass removals of members of the public administration, including school teachers and university faculty, has also lowered their organizations' abilities to mediate between society and the government.

The consent of Turkish people to democracy used to be very high. With the exception of fundamentalist movements, all social, economic and political groups were devoted to a pluralist parliamentary system. Recent polls have indicated that a majority of the Turkish people prefer the democratic system, but are dissatisfied with how it is working. The level of trust and confidence in political parties and politicians continues to be rather low. This public perception has only worsened with the government's severe response since the Taksim Gezi Park protests of summer 2013 and the rather offhanded treatment of the corruption cases brought to bear against government ministers in December of that year. There is a growing minority (36% in early 2017) which argue that a leader with a strong hand, rather than a democratic government would best be able to improve the situation. Since the coup attempt of



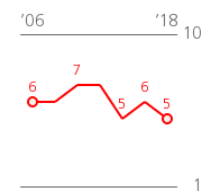
July 2016, the government's power has increased considerably. Subsequent developments indicate that rather than democracy, the main concerns of the Turkish electorate are stability and security. Consequently, it can be concluded that public approval of pluralist democracy has declined. The commitment of the Turkish people to democracy will become evident in the constitutional referendum in April 2017.

Autonomous, self-organized groups and voluntary associations are traditionally well-developed and well-organized. They work and cooperate well with each other. These self-organizations enjoy a high level of trust among the population. However, legislation affecting civil society has become increasingly restrictive in recent years. Although the government is criticized quite harshly by civil society organizations, they have not been able to bring about a credible organized opposition to the government since summer 2013.

The increasingly autocratic policies of the government since the coup attempt of July 2016 act as a brake on a more vivid expression of civil society interests. The rift between supporters and opponents of President Erdoğan's policies – in evidence at least since the 2013 Taksim Gezi Park protests – seems to be widening. The referendum on the introduction of a presidential system in April 2017 therefore can be expected to be hotly contested. Trust between citizens of Turkish and Kurdish ancestry has also dampened since the government's increasing references to "Kurds as terrorists."

Social capital

5



II. Economic Transformation

6 | Level of Socioeconomic Development

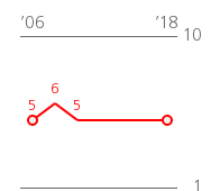
Turkey continues to be a thriving economy, although growth rates have recently slowed. The country has weathered the economic crisis quite well, yet no improvements have been observable concerning social and economic inequality. Turkey continues to be a country in which ethnicity, gender, and place of residence considerably influence access to education and well-paying jobs. The gap between higher and lower income groups has not at all narrowed, not least as government policies do not seem to regard this issue as a priority. This is reflected in UNDP's Human Development Index, giving Turkey a rating of 0.76 for 2014, rank 72 in the worldwide survey.

Question

Score

Socioeconomic barriers

5



The Gini index score of 40.0 poses Turkey close to the average of 39.8. There continue to be extreme income disparities between rural and urban regions, particularly in the east and south-east regions of the country. These uneven development patterns affect the economic structure and cause significant social

problems. Meanwhile, the poverty rate has continued to decline, reaching 1.6% of the population according to the World Bank Development Indicators for 2014. Life expectancy at birth is now 75.3 years, which marks a considerable improvement over the last decade. Gender inequality has slightly declined, but considerable disadvantages for female workers continue to exist in the labor market. Gender-dependent inequality of literacy has been greatly reduced. 94.9% of the population as a whole are considered literate, which amounts to 98.3% of males and 91.6% of females. Overall, the reduction of gender inequality is fairly remarkable: according to UNDP's Gender Inequality Index, Turkey has reduced gender inequality from 0.419 in 2010 to 0.359 in 2014.

The demographic growth rate is at present calculated at 1.5%. In recent decades, access to education for the school-age population has significantly expanded. However, the quality of education remains low. The education system predominantly focuses on providing good quality education for the most able students, who are channeled toward university and work in the formal sector. As a result, the most severe human capital shortages are at the middle and low end of the labor market. Although it was originally conceptualized as a merit-based system, the education system continues to favor students from higher-income families, raising efficiency and equity concerns.

The unemployment rate, calculated at 11% for 2008, rose steeply to 14.6% in 2009. From this peak it has decreased to 9.3% for males and 12.6% for females in 2015. Religion and ethnicity continue to be problematic issues: segments of the population not considered "Turk" and not Sunni Muslim, continue to suffer from discrimination. Non-Muslims are not able to become military officers or public servants.

The global financial crisis starting in 2008 hit the country with medium severity. GDP increased considerably between 2014 and 2015 (by 4%), which is moderate compared to the boom years of the early 2000s (when growth reached as much as 8% annually). Inflation reached 7.7% by 2015. The public debt burden is calculated at 56.4% of GDP in 2015, a considerable increase. FDI rose sharply to roughly \$16.5 billion in 2015, an increase of almost \$4 billion when compared to the previous year. The current account balance, having been reduced to an all-time low of -\$11,358 million in 2009, had increased considerably to a staggering -\$74,402 million in 2011 before being reduced again in 2015, to -\$32,228 million.

In summary, severe inequalities of income, access to education and well-paying jobs continue in the country despite recent minor improvements. Gender inequality remains high and place of residence, as well as one's ethnicity and religion, continue to have a serious impact on access to education and employment. The gap between poorer and wealthier segments of Turkish society has not narrowed. While medium to higher income groups profited from positive economic developments, the same does not hold true for the poorer segments of society. While it is commendable that

Turkey has managed to attain the World Bank status of “middle-income country,” the danger of falling into the middle-income trap becomes ever more obvious.

Economic indicators		2013	2014	2015	2016
GDP	\$ M	950595.6	934167.8	859383.6	857749.0
GDP growth	%	8.5	5.2	6.1	2.9
Inflation (CPI)	%	7.5	8.9	7.7	7.8
Unemployment	%	8.7	9.9	10.2	10.3
Foreign direct investment	% of GDP	1.4	1.4	2.0	1.4
Export growth	%	1.1	8.2	4.2	-2.0
Import growth	%	8.0	-0.4	1.7	3.9
Current account balance	\$ M	-63621.0	-43597.0	-32118.0	-32626.0
Public debt	% of GDP	31.3	28.7	27.5	28.1
External debt	\$ M	390353.9	402558.7	396664.9	405656.1
Total debt service	\$ M	63833.9	58018.1	21873.7	75952.6
Net lending/borrowing	% of GDP	0.2	0.4	1.1	-
Tax revenue	% of GDP	18.5	18.1	18.2	-
Government consumption	% of GDP	14.1	14.1	13.9	14.7
Public education spending	% of GDP	4.8	-	-	-
Public health spending	% of GDP	4.2	4.2	-	-
R&D expenditure	% of GDP	0.9	1.0	-	-
Military expenditure	% of GDP	2.0	1.9	1.8	1.7

Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

In principle, the state fully guarantees and maintains market competition, with all market participants having equal opportunity. In practice, the 2016 progress report of the European Commission (EC) noted that the government continues to interfere in price-setting mechanisms. While this affects less than 5% of the consumer price index basket in general, policy decisions greatly influence food and alcohol prices (making

Market-based
competition

7

up some 25% of the basket). Automatic pricing mechanisms were, in principle, adopted for energy products (i.e., natural gas and electricity), but, in practice, the government continued to set end-user prices. This has partly to do with the weak level of competition in the energy market.

In its 2012 progress report, the EC commended Turkey for adopting state aid legislation establishing a monitoring authority. The 2016 EC progress report, however, noted that its enactment had been again postponed (to the end of 2016). Turkey therefore must still enact legislation to align state aid schemes with the *acquis*. In some areas, notably public procurements, deteriorations were observed, which may indicate a retraction from efforts at alignment.

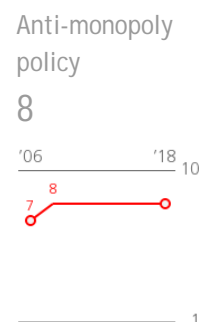
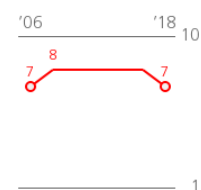
The number of newly established firms rose by 1.6% in 2013 compared to the previous year. In the same period, the number of businesses closing down fell by more than 20%. The EC noted that entering the market – particularly when construction permits are needed – remains quite cumbersome (and has become more difficult in the period 2014 – 2015), leading to the conclusion that conditions to enter (and exit) the market could be substantially improved.

The size of the informal sector continues to be very high in comparison to other European economies. The existence of a substantial informal economy (estimated to be between 60% and 83% of total economic activity) hampers the development of a viable market economy 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 EC declared for the first time that a well-functioning market economy existed in the country; this was reaffirmed in the 2016 progress report. The 2014 EC report noted that Turkey's financial consolidation over the first decade of the new millennium had been significant, though it recommended the adoption of a fiscal rule that could anchor fiscal expectations. It also noted that the Turkish economy remained vulnerable to financial uncertainties and changes in global risk sentiment, making it desirable to lower macroeconomic imbalances.

Tied to the establishment of the customs union with the EU in 1996, Turkey fulfilled its obligation to adopt the EU's antitrust legislation and established an independent body (High Committee for Competition) with a mission to monitor the market and implement antitrust rules when necessary. The committee operates effectively with regard to privatizations, mergers, and acquisitions and has ensured that market positions are not abused.

State aid legislation, which was supposed to come into effect in September 2011, was postponed to the end of 2016, which was noted with disapproval by the EC. In its 2016 progress report, the EC noted that no progress in the field of competition policy had been observed. Legislation on antitrust rules was generally aligned with the



acquis, but a considerable gap between Turkey's state aid policy and the EU's state aid rules was noted.

The Ministry of Economy implemented a risk-based electronic import control system "TAREKS" to aid the free circulation of products. TAREKS is mainly applied to products that have not been subjected to harmonization with EU standards. From 2014 onwards, it also dealt with second-hand and renovated goods, for which important licenses continue to be required. Product groups not using TAREKS includes textiles, chemicals and foodstuffs; for these products, prior approval and licensing is still required. EU approvals for motor vehicles have been accepted. A mutual recognition principle for the exchange of goods between Turkey and the EU has been in place since 2012. In 2014, this recognition was extended to tractors and the manufacturing, renovation, and assembly of vehicles. Even so, technical barriers that regulate the import of goods including textiles, alcoholic beverages and second-hand goods remain in place. In its 2016 progress report, the EC noted that since 2015 an increasing number of EU products have been held back on the grounds that they represent a supposed risk. Exports of aluminum, copper and leather were also subjected to restrictions. The EC noted that this legal regime constitutes a violation of the customs union provisions.

In the field of product legislation, a distinction must be made between "old" (national) and "new" (global) legislation. The EC regards "new" legislation as commensurate with EU rules, while "old" legislation is not. The 2016 progress report noted that "new" legislation had been passed on products including measuring instruments, lifts, low voltage equipment, simple pressure vessels and water pumps. "Old" legislation remained in place for products including fertilizers, pharmaceuticals, motor vehicles and cosmetics. As a result of its participation in the customs union with the EU since 1996, Turkey has based its tariff on industrial products and industrial components of processed agricultural products (imported from third countries) on the EU's common external tariff. The EC progress report of 2016 noted that no progress has been made on customs legislation. The right of foreign firms to be established and provide services remains limited by numerous requirements. Service providers registered in the EU must comply with registration, licensing and authorization requirements. The movement of capital is not aligned with EU regulations, particularly with regard to real estate. Acquisition of real estate is not permitted for citizens of a number of countries (the list of which has not been made public by Turkish authorities).

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) "most favored nation" (MFN) treatment to all of its trading partners. The country 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 the

Liberalization of
foreign trade



European Free Trade Association (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). Negotiations continue with further 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 to a competition-based market economy, it also notes that the country's membership in several agreements makes its trade regime complex and difficult to manage.

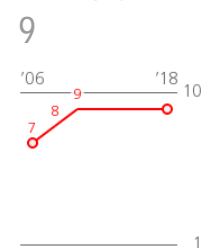
The Turkish banking system is organized according to international and European standards, with functional supervision, minimum capital requirements and market discipline. According to a report prepared by the Central Bank of Turkey, the Turkish banking sector consists of deposit banks, development and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

Banks have maintained an 87.4% share of the financial sector's total assets as of June 2013. The value of these assets increased from 97% to 111% of GDP between 2012 and 2013. The profitability of banks declined in the period under examination. The banks' loan-to-deposit ratio increased, reaching 119% at the end of 2015. The capital adequacy ratio of the Turkish banking sector increased to 16.3% in May 2014, which was considerably above the EU legal requirement of 12%, but it fell slightly to 15.6% in 2015. However, the capital-to-assets ratio gradually fell over the years to only 11% in 2015. Basel II standards in capital adequacy calculations have been implemented since 2012 and the legislation necessary for the implementation of Basel III standards was passed in late 2013. Non-performing loans remained stable at about 3%. The EC report of 2016 confirmed that the financial sector had performed well in recent years and demonstrated resilience.

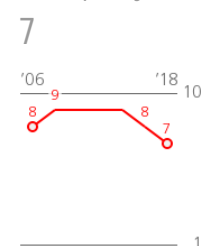
8 | Currency and Price Stability

Inflation fell from a high of 8.9% in 2012 to 7.5% in 2013, significantly above the central bank target. During 2015 it increased from 8.2% to 8.8%, but has fallen slightly since due to modestly rising food prices and a stable exchange rate. Nonetheless, inflation in early 2016 stood at 7.6%, well above the central bank's target of 5%. The independence of the central bank is under attack by the government and president, who continuously call for lower interest rates. In response, the central bank lowered the interest rate from 10.75% to 8.25% and adopted a floating exchange rate regime. The EC noted that these measures were inconsistent with the inflation target.

Banking system

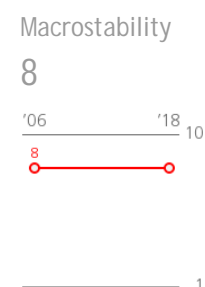


Anti-inflation /
forex policy



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 thus far guaranteed the convertibility of the Turkish currency. Devaluation of the lira has continued, amounting to as much as 15.1% in real terms in the second half of 2013. Measures by the central bank to tighten monetary policy caused the lira to appreciate by 7.4% in the first half of 2014. It must be noted that inflation has been on the rise for a considerable period of time and continuously diverged from the central bank's target of 5%. After the failed coup of July 2016, the government's draconian measures and deterioration of the security situation has led to extreme reductions in income from tourism. As a consequence, the lira has fallen sharply in value – a process that will continue for the foreseeable future.

The Turkish economy grew by 3% in 2014 and 4% in 2015, growth considerably lower than before the global financial crisis of 2008. Growth in 2015 was due to domestic demand and public spending. In 2016, growth slowed again to 3.1%, mainly due to deteriorating exports and weakening private investment activity. Net exports contracted in the 2014 – 2015 period (by 0.8%), while imports rose by 0.3%. A high account deficit and large public debt leave the country vulnerable to sudden changes in global investor sentiment. Inflation rose to 8.8% in 2016 in comparison to 7.7% in the previous year. The current account balance stood at -\$43,552 million in 2014 and fell to -\$32,238 million in 2015. Public debt fell from 33.5% of GDP in 2014 and to 32.5% in the following year. Total debt service in 2014 was \$55,900.1 million. Even if public debt continues to decline, debt service represents a severe drain on Turkey's finances. The cash deficit stood at 1.5% of GDP in 2014 according to the World Bank. Total reserves continued to fall from their all-time high of \$110,926.7 million in 2013 to \$92,920.8 in 2015. The 2016 EC report noted that the Turkish economy remains vulnerable to financial uncertainty, changes in global investor sentiment and political risks. It generally confirmed Turkey's regression on macroeconomic stability: the central bank's inflation targets were not met, yet interest rates were lowered. The persecution suffered by critical media, business people and political opponents (in many cases involving the tax authority, the financial crimes unit and the courts) after the 2016 coup attempt has caused the business environment to deteriorate. Also, the implementation of structural reforms in the markets for goods, services and labor have stalled. The Economic Reform Programme (ERP) recommended that Turkey focus on domestic saving (thus reducing the account deficit), price stability by actively targeting inflation and improving the business environment by strengthening the rule of law.



9 | Private Property

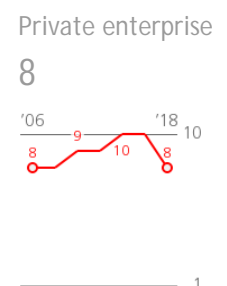
Property rights and the regulation of the acquisition of private property are in principle well-defined in the Turkish legal system. Further progress was made aligning legislative provisions concerning copyright and related risks. Notwithstanding, the EC has noted shortcomings related to intellectual property rights. The state of emergency declared after the 2016 putsch attempt led to severe infringements of private property. While there were no laws passed infringing on intellectual property rights, damage to the judicial system caused by the dismissal of thousands of judges and other personnel may lead to delays in obtaining authorization for raids on suspected intellectual property pirates. A proposal for new legislation on intellectual property was sent to the Turkish parliament in May 2016, but has not yet been passed.

On 1 September 2016, legislation was passed that allows for widespread expropriations from persons believed to be adherents of the exiled preacher Fethullah Gülen, whom the government accused of instigating the failed putsch. Following the end of the peace process with the Kurdish PKK, thousands of Kurds were expelled from their homes and a large share of their property was expropriated.

The EC progress report of 2016 noted with disapproval that starting a business had become more cumbersome: eight separate procedures needed to be completed, lasting on average 7.5 days. This represented an increase of one procedure and one day in comparison to 2014. Corporate governance principles are not fully implemented. Turkey has a 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*.

Before the coup attempt of 2016, private companies were given broad legal and institutional safeguards. They continue to comprise the most important component of the Turkish economy. Starting a business usually took 7 days and 7 procedures and therefore went comparatively smooth, according to the World Bank. However, the EC noted in its 2016 progress report that privatization continued to slow down; the volume of completed deals fell from €4.8 billion (0.8% of GDP) in 2014 to €1.8 billion (0.3% of GDP) in 2015.

After the coup attempt, the government passed legislation to expand expropriations of firms and businesses belonging to supposed supporters of the coup. Also, Turkey has implemented a series of new measures involving companies and public institutions in the wake of the state of emergency first declared on 21 July 2016. These include allowing the collection of certain receivables at a fixed Turkish lira rate until the end of 2017 and incentives for the private sector to employ unemployed people. Generally, the business climate has deteriorated sharply due to the measures



taken by the government after proclamation of the state of emergency, gravely affecting private companies.

10 | Welfare Regime

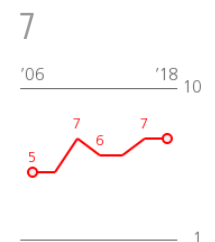
In June 2006, the Social Security Institution (Sosyal Güvenlik Kurumu) was established. It merged the previous five different retirement systems (for civil servants, contractually paid workers, agricultural workers and the self-employed) into a single system. There are both short-term and long-term benefits offered by the Social Security Institution. The former include support in case of workplace injuries as well as illness and maternity leave. The latter include old age insurance, disability insurance and survivors' insurance as well as marriage and funeral benefits. While these social safety net benefits appear sound on paper, critics continue to note the many practical deficiencies in the operation of the system. The system is also beset by a heavy debt, which the government has attempted to reduce through various reforms.

Turkish labor law has yet to be aligned with EU standards. Although unregistered employment has fallen to 27.8%, great variance based on sector, employment status and gender continue to exist. Subcontracted workers often experience poor working conditions, unjustified dismissals and difficulties in joining trade unions. Health-and-safety regulations are often poorly implemented, a fact brought to the public's attention through the accident in the Soma mine in 2014. The first national employment strategy was adopted with ambitious employment targets. Male labor market participation (75.6%) and employment (69.5%) are comparable to conditions within the EU, while that of females (33.2% and 29.6%, respectively) remains significantly lower. The percentage of young people neither in employment nor education, while falling, remains high at 25.5%.

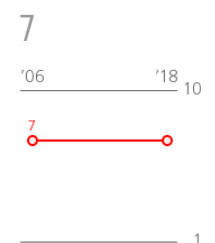
Achieving substantive equality between men and women was part of constitutional reforms approved in September 2010. These were followed by considerable activity from the government and parliament. Even so, the employment and labor force participation rates of women remain lower than in all the EU states and among the lowest among OECD countries. The EC progress report of 2016 noted that only 32.5% of women in Turkey were employed. It also noted that about one-third of women considered employed were factually unpaid family workers in the agricultural sector.

Great achievements have been made in the last years to reduce the literacy gap between men and women, both of which now stand at almost 100%. The same can be said for enrolment in education: boys and girls are equally attending primary and secondary school, and university student populations are gender-balanced. Gross

Social safety nets



Equal opportunity



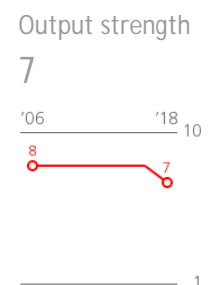
enrolment rates were 106.9% in primary, 100.3% in secondary and 79.0% in tertiary education (World Bank 2016).

Progress has been made in combating discrimination on the basis of racial or ethnic origin, religion or belief, disability, age, and sexual orientation. Notwithstanding, the current state of affairs leaves much to be desired. Although written anti-discrimination regulations do exist, members of religious and ethnic minorities continue, in practice, to be excluded from becoming civil servants or army officers.

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. Although the economy was hit hard by the financial crisis, recovery was rapid and sound. GDP grew by 4% in 2015, a stark contrast to 2011, when growth was 8.8%. Total GDP fell from \$823,242 million in 2013 to \$718,221 million in 2015. Yet, GDP per capita increased moderately from \$19,043 to \$19,618 over the same period. Exports growth reached an all-time high of 16.3% in 2012. It contracted by 3% in 2013. Imports decreased by 0.4% in 2012 and increased by 9% in 2013. Inflation stood at 7.7% in 2015, compared to 8.9% in 2014. Thus, as inflation remains high, some stability may be observed. Net public debt-to-GDP has continuously fallen since 2001. In 2013, it stood at 63.1% of GDP, but fell to 43.5% in 2014 and further to 32.2% in 2015. FDI reached 11.4% of GDP in 2015, up from 9.6% in 2014 and 9.5% in 2013. That is still a far figure from the record FDI of 22.5% seen in 2011. The current account deficit rose sharply in the period 2012 – 2013: it went up from -\$48,497 million to -\$65,110 million. In contrast, it declined sharply in the following three years: from -\$63,608 million in 2013, to -\$43,552 million in 2014 and -\$32,238 million in 2015. Here the Turkish economy appears to have achieved a turn for the better.

Its close connection to the IMF and the perspective of becoming a member state of the EU used to form the main anchors for the Turkish economy. As EU membership is not the only conceivable long-term goal of the country, it is to be expected that this factor will decrease in importance. It remains to be seen if strategic economic partnerships with other powers in the region (e.g., Russia and Kazakhstan) will step into the shoes of the EU in the future. The deteriorating security situation in the country and harsh policies of the government enacted since the 2016 putsch attempt have led to a sharp contraction in the economically vital tourism sector. Turkish Airlines, after a long period of growth (both financially and in the destinations it offered flights to), witnessed major losses in 2016.



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 EU. While it signed the Paris Agreement on 22 April 2016, no further steps have been taken to ratify the agreement.

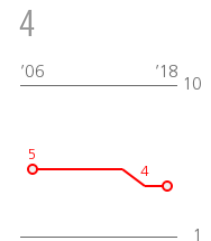
The EC progress report of 2014 expressed concern that horizontal legislation on the environment passed in late 2013 was not aligned with the EU's Environmental Impact Assessment Directive. Several large infrastructure projects, such as micro-hydropower plants and the third Bosphorus bridge, were deliberately excluded from national environmental impact assessment procedures. The government generally prioritizes economic development over environmental protection. Taking advantage of the state of emergency declared after the July 2016 putsch attempt, a law was passed in August of that year allowing the fast-tracking of large infrastructure projects, mostly in the energy sector. Environmental lawyers from ClientEarth accused the Turkish government of undermining environmental protection rules.

The authorities have gradually become stricter with regard to punishing polluters, including maritime vessels that discharge hazardous waste into the sea. Moderate progress was made on legislation concerning air quality and waste management between 2015 and 2016, particularly relating to solid waste and wastewater management. The EC also noted with approval that legislation concerning water quality (surface and groundwater monitoring, river basin management strategy) had advanced. However, in several fields, such as industrial pollution control and risk management, there has been little progress. Turkey's national climate change action plan also has not set a domestic greenhouse gas emissions reduction target. The main challenge does not appear to be lack of legislation, but rather the weakness of enforcement.

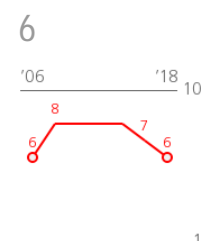
The Education index of the UN's 2013 Human Development Index gave Turkey a rating of 0.652. The Turkish Statistical Institute claimed that in 2014 government spending on education reached 6.5% of GDP. The World Bank's 2016 World Development Indicators put gross enrolment in primary, secondary, and tertiary levels at 106.9%, 100.3%, and 79.0%, respectively. The country has improved to 1.0 on the Gender Parity Index in recent years. Gender differences in literacy have also greatly declined: as of 2016, the World Bank reports that 99.7% of adults were literate, with men (99.8%) leading women (99.6%) only slightly. This constitutes a considerable achievement of the Turkish (primary) education system. The enrolment of children aged five in preschool education programs continued to grow, though it remains significantly lower than the EU average.

It is worth noting that Turkey has added a considerable number of universities since the previous review period, when it counted 154 universities. Although Turkey is at

Environmental policy



Education policy / R&D



an advanced stage in implementing the Bologna process for its universities, the 2016 EC report still noted considerable differences in quality between the country's 176 universities. This in part was attributed to the nonexistence of an independent quality assurance and accreditation agency. As a first step, the Turkish Qualifications Framework was adopted in January 2016. In 2014, Turkey joined the EU's Erasmus Programme.

After the coup attempt of July 2016, thousands of educators from schools and universities were dismissed. Some schools and universities were closed altogether. These dismissals and closures will have long-term negative impacts on the education system.

The 2016 report of the EC noted further progress in science and research. However, the 2014 Innovation Scoreboard only accorded the country the status of a modest innovator, well below EU average in most fields. The tenth development plan announced in 2013 (for the period 2014 – 2018) was intended to promote science, technology and innovation. The aim of these measures is to turn Turkey into one of the top 10 economies by 2023. R&D expenditure climbed steadily to 1% of GDP in 2014. The number of "full-time equivalent" researchers in the country was 115,444 in the same year, according to the Turkish Statistical Institute, less than the 300,000 envisaged in earlier years. The EC noted that great effort will be needed for Turkey to perform successfully within the framework of the EU's Horizon 2020 program, but expressed some confidence in the country's ability to meet these challenges.

Governance

I. Level of Difficulty

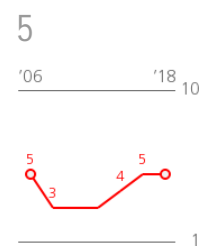
There are comparatively few structural constraints on governance. The strength of the country is certainly its relatively high level of economic development and the presence of a relatively young and well-educated labor force. There remain, however, great difficulties in reconciling elements of traditional and modern Turkish society. One major challenge is deficient infrastructure in Southeastern and Eastern Anatolia. Further challenges include deficiencies in the administrative and legal systems.

Turkey is also located in the volatile Middle East, faced with two neighbors embroiled in civil wars: Syria and Iraq. Not only do these violent conflicts represent a danger to Turkish security, but they have also produced millions of refugees seeking safety in Turkey, thus saddling the authorities with a great humanitarian challenge.

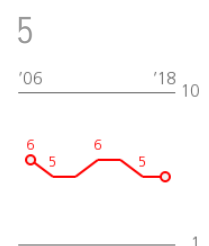
Turkey only has a moderately well-developed tradition of civil society. While civil society institutions have existed in the past, they have never functioned apart from the state; they have served most often to facilitate administration within remote areas where the state was weak, and have also formed important elements of urban administration. This continues to make it difficult to distinguish between official institutions and civil society. The attitude of the state and its institutions to civil society is ambiguous. When civil society institutions are regarded as beneficial, they enjoy considerable attention from the state and are consulted frequently. However, institutions considered to be critical of the state and its policies are regarded as a threat and frequently face serious legal and financial obstructions. Legislation passed in recent years has considerably aggravated the situation for such civil society institutions. As in other countries ruled in an increasingly authoritarian style (e.g., Russia), critical and independent civil society institutions have experienced a deterioration in their situation, a development which the EU has noted with considerable concern.

Potential cleavages run across the boundaries of nationalism and religion. The first refers to the conflict between Kurdish and Turkish nationalists; the second between Islamists and Secularists. In both cases, extreme Turkish nationalists and nationalistic Kemalists are as militant and aggressive as their opponents. An answer to the question

Structural constraints



Civil society traditions



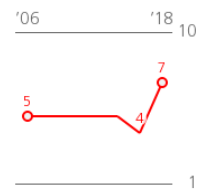
Conflict intensity

7

“who agitates whom” is by no means clear if considered within the framework of a longer historical perspective.

In today’s Turkey, the struggle between Kemalists and Islamists appears decided in favor of the latter group. The Turkish military as the embodiment of “Kemalism” has been brought under effective civilian (i.e., government) control. This is particularly true since the failed military coup of July 2016. The conflict with the sizable Kurdish minority appeared on the way to being settled by early 2016, but has reopened with a vengeance. The south-east of the country has seen numerous clashes between Turkish security forces and militant Kurds. In addition, leaders of the Kurdish HDP party, which managed to gain entry into parliament in 2015, have experienced harassment and arrests.

The increasingly authoritarian policies adopted by the AKP party attest to a political climate marked by high tensions and antagonism, aggravated by heavy-handed policies since the failed putsch. There is an atmosphere of conflict. The government intends to transform Turkey into a strong regional power and global player. Oppositional groups are highly concerned about the weakening of democratic institutions and decrease in civil liberties observable in recent years. These groups have been further alarmed by the increasing introduction of “Islamic morals” in a country once marked by a commitment to secularism and in the process of becoming a liberal democracy. Observations of the government’s behavior in the period under review lead to the conclusion that a democratic political culture in Turkey has yet to emerge.



II. Governance Performance

14 | Steering Capability

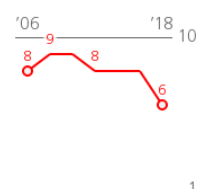
In its rhetoric the government insists that it has remained committed to democracy, but recent actions strongly belie these claims. The change in approach first became obvious in the harsh reaction to the 2013 Taksim Gezi Park protests and even more so since the coup attempt of summer 2016. EU driven norms, partially realized thanks to the accession process, have been blatantly called into question, most prominently with the call to reinstitute the death penalty. Mass arrests and, increasingly, mass dismissals of (actual or perceived) regime opponents occur outside the rule of law. New authoritarian measures by the government also affect critical journalists and civil society organizations.

Meanwhile, the government tries to continue its hitherto successful economic reforms, though these economic developments are also rife with cases of high-level

Question
Score

Prioritization

6



corruption. The country's economic success has been the government's strongest argument for gaining support and silencing opponents. Given the recent downward trend in Turkey's economic performance, this argumentation strategy will become more problematic in the near future.

The implementations of several important EU-provoked reform packages have come to a halt. This is obviously not due to a weakness of government, which gained approval for far-reaching constitutional reforms in the plebiscite of September 2010. Rather, it appears that the AKP government, ruling in an increasingly authoritarian style, intentionally delays the implementation of those reforms which might endanger its power. The government's prime concern is to push through constitutional changes, granting more power to the presidency. By this, President Erdoğan could eventually position himself to be an autocratic ruler.

The political leadership holds decision-making power and has shown itself unwilling to delegate its power. As a consequence of this old-fashioned attitude, the majority of the political elite shows little willingness nor ability to learn.

In the recent past, Turkish decision-makers have shown considerable readiness to learn if it suits their interests. This learning process also influenced the plans for the future of the country of leading Turkish politicians. As EU membership seems an increasingly elusive goal despite Turkey's candidate status and ongoing accession negotiations, a reorientation of Turkey's strategic plans toward becoming a regional great power is observable. One of the victims of this reorientation was the previously declared "no problems policy" with Turkey's neighbors. The country is now embroiled in a considerable number of conflicts. This abandonment of previous policy might be regarded as a case of "negative learning." Due to the increasingly authoritarian style of government adopted by the AKP, closer cooperation with other authoritarian countries such as Russia has also become evident.

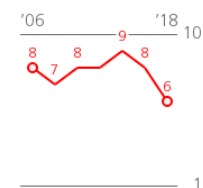
15 | Resource Efficiency

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. The public sector employs almost one-sixth of all workers. Public sector employees increased by 120,000 in 2014, reaching a total of 3,440,039. The annual increase of public employees has been as much as 3.6%.

Many employees have insufficient qualifications and capabilities for their jobs. It is generally believed that political considerations, rather than merit, are responsible for securing employment in the public sector. While there are some attempts or

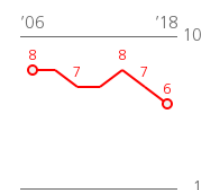
Implementation

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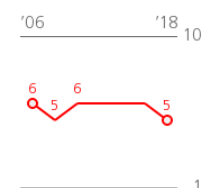
Policy learning

6



Efficient use of assets

5



discussions on modernizing the administrative capacity of the state, no comprehensive reform or decentralization has been planned.

In spite of this bloated public administration, the state budget managed to improve. From -8.9% in 2008 to 1.7% in 2015, according to the EU progress report. Government gross debt has steadily decreased to 31.3% of GDP in 2015. Notwithstanding, the external deficit has remained very high.

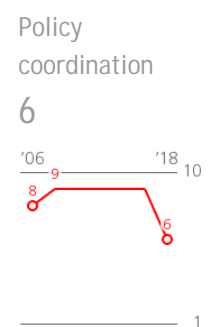
With regard to efficient use of budget resources, the deviation of real expenditures from those planned stayed within acceptable margins. The central government's expectations of deficit for 2013 were lower than originally planned; the deficit target of 2.2% was consequently revised to 1.2%, which in 2014 was estimated to have been met. Budgetary overruns on the expenditure side continue. The ratio of total public debt-to-GDP increased slightly to 44.8% in 2013 (up from 44.5% in 2012), but declined to 31.3% in 2015.

In the aftermath of the July 2016 failed coup d'état, thousands of public employees were dismissed from their positions, charged with disloyalty to the government. These dismissals will not lead to a significant reduction of the public sector, rather the dismissed employees will be replaced with others believed more loyal and irrespective of their qualifications. Recent cases were newly graduated law students were appointed as judges lends credibility to this expectation. The government clampdown has also led to the emigration of hundreds of intellectuals as well as the dismissal of vast numbers of teaching personnel from institutions of higher education. Both constitute a brain drain for the country and thus the loss of important assets.

The governing AKP party managed to extend its grip on power in the 2014 communal elections. The electoral success of long-serving Prime Minister Erdoğan in the 2014 presidential elections, who was able to score a victory in the first round, attests to the strength of the AKP. Former top governmental representatives with opposing viewpoints have apparently been successfully silenced, including former President Abdullah Gül and former Foreign Minister, Prime Minister, and AKP chairman Ahmet Davutoğlu. In spite of an antagonistic political climate, the government has frequently come out victorious. Even as the government's increasingly authoritarian policies have led to the (renewed) outbreak of numerous political conflicts since summer 2016, it has generally been on the winning end.

With the concentration of powers in the presidency – should a presidential system be approved in the April 2017 referendum – decision-making will increasingly take place in the presidential palace, rather than the ministries. This may be beneficial for policy coordination, but a sharp detour from democratic practice.

This notwithstanding, the government's strong focus on securing power, combined with excessive actions in the "fight against terrorism," has led to serious economic consequences. For example, tourism has been hit by a serious downturn. The



government has also sacrificed its former inclusive policies toward the Kurdish minority by its renewed demonization of Kurdish representatives, including members of the leftist Halkların Demokratik Partisi (HDP). The government has also lost much of its credibility among EU representatives. In summary, the government has failed to coordinate crucial policies on the economy, citizens' rights and international relations.

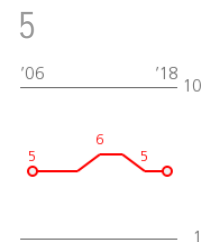
Corruption remains a major issue in Turkey since a 2013 corruption case involving high-ranking members of the AKP party. The case was problematic for the AKP as it had announced a rigid anti-corruption policy. As a consequence, investigations into the case were made impossible by authoritarian measures imposed both on critical media and the criminal investigators. The government claimed that the charges of corruption had been an invention by followers of the exiled preacher Fethullah Gülen. President Erdoğan had fallen out with Gülen. In consequence, Gülen has become public enemy number one as far as the government and its followers are concerned. The absence of a proper investigation raises concerns about the seriousness of the strategy to promote transparency and fight corruption, promoted by the government since 2010.

The 2016 EC progress report expressly criticized the poor track record of the country in combating corruption. One indicator is the sinking number of corruption-related convictions observable in the period from 2014 to 2015. Turkey has, nonetheless, implemented several recommendations made by the Council of Europe's Group of States against corruption (GRECO) since 2010. However, political parties and independent candidates continue to be exempt from financial transparency regulations. The EC noted in its 2016 progress report that the anti-corruption strategy and action plan adopted in 2010 failed to meet most of its initial objectives. In April 2016, Turkey adopted a new "Action Plan for Increasing Transparency and Strengthening the Fight Against Corruption." The EC saw this as a step forward, yet admonished Turkey to show greater initiative in fighting corruption and to involve civil society more closely.

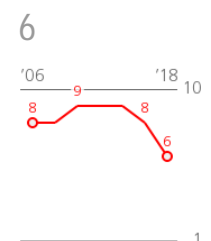
16 | Consensus-Building

After a long period of – albeit at times troubled – multiparty democracy, Turkey seems set to become an authoritarian state. The adoption of a presidential system – which may be approved by voters in an April 2017 referendum – would give the president almost dictatorial powers and greatly weaken the parliament. The reconciliation process with the Kurdish minority seems to have failed. Thus, the government faces strong, though rather unorganized, opposition from a multitude of forces. Recent attacks on urban centers indicate a grave, and likely enduring, deterioration of the security situation.

Anti-corruption policy



Consensus on goals



There is consensus on the desirability of a market economy. However, considerable conflict exists on the details of economic organization. Privatizations and neoliberal labor laws have meant that Turkey's economic boom has come at a considerable social cost. A large part of the Turkish labor force still works for comparably low wages and remains unable to partake in the advantages brought about by economic growth.

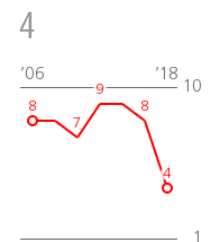
In Turkey, the greatest enemy to democracy at the moment appears to be the government itself. Recently, a presidential system was provisionally adopted in parliament. If confirmed in the popular referendum in April 2017, the country could become an authoritarian dictatorship. Compared to this danger, previous "enemies of democracy," such as radical Kurds or the Turkish military, appear to be fairly powerless.

The cleavages between religious, conservative, traditional and modern groups hold the potential for conflict that threatens to escalate unless the government finally takes appropriate measures. The government has failed to serve as an effective mediator in a number of recent conflicts. This was particularly observable during the 2013 Taksim Gezi Park protests in Istanbul. The country's political climate is highly antagonistic, with supporters of the government pitted against the defenders of the "old" Kemalist system and groups advocating an expansion of democracy and civil liberties. The wearing of headscarves by women in public buildings (including universities) and state regulations on the production, advertising and consumption of alcoholic beverages are examples of issues that split the country ideologically.

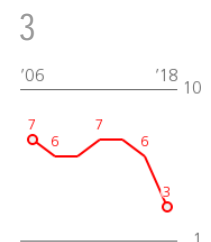
The putsch attempt of July 2016 has brought new conflicts. The government appears obsessed by a witch hunt for partisans of the Fethullah Gülen movement. Consequently, it has suspended, removed, dismissed and even imprisoned numerous followers, all on charges that they were conspiring to topple the government. In addition, the peace process with the Kurdish minority (which had progressed rather well) has been broken off. Since then, the south-east of the country has seen numerous clashes between Turkish security forces and militant Kurds as well as several attacks on urban centers in other parts of the country.

Turkey has also become more actively involved in the Syrian civil war and, under international pressure, has taken a stance hostile to the terrorist militia IS. As a consequence, several terrorist attacks have been inflicted on the country. By and large, the security situation has deteriorated sharply. Turkey, at present, appears embroiled in more conflicts than ever before. The government's response thus far indicates that these various conflicts will not be resolved in the near future.

Anti-democratic actors



Cleavage / conflict management



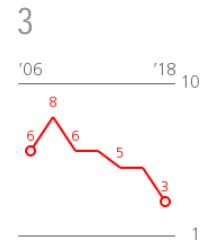
Officially, the government claims to regard civil society as an integral part of participatory democracy. In practice, civil society institutions continue to face severe difficulties. The fates of these institutions, particularly of professional and economic interest associations, frequently depend on whether they are considered by the government to be useful. Legislation affecting civil society institutions had already become more restrictive in recent years, reducing their capacity to hold an increasingly authoritarian government to account. A further worsening of the situation has been observable since the failed putsch attempt of July 2016. The government has embarked on massive purges. These have also targeted important civil society institutions. Many NGOs have been shut down completely, charged with endangering national security.

Despite several contradictory announcements by the government, there has been little practical progress in resolving two long-standing conflicts. The AKP government has not been able to deal satisfactorily with the issue of the Armenian genocide during World War I, although – due to changes in public opinion and frequent calls for more attention to be paid to the issue – it has displayed greater openness than its predecessors. However, Turkish nationalists continue to be reluctant to admit guilt or responsibility. Little progress has been evident in settling the conflict with the Kurds both within and outside Turkey. In 2009, as prime minister, Erdoğan announced a new initiative to reach a settlement. Few tangible acts have followed this announcement, though the Turkish government has been more open to the use of the Kurdish language in education, broadcast and publishing. Turkey also continues to cooperate with the Kurdistan Regional Government in Northern Iraq, partly out of an interest in maintaining a certain degree of control over any attempts to establish an independent Kurdish state.

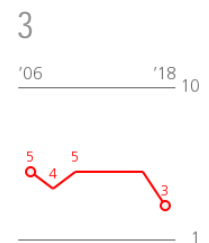
Challenges for the non-Muslim and non-Sunni Muslim communities within the country continue. Even though the Turkish constitution accords all Turkish citizens equal rights and duties, members of these minorities continue to face considerable discrimination. Overcoming these inequalities will require an immense amount of goodwill and political energy.

The Fethullah Gülen movement was declared a terrorist organization in December 2015 and its adherents have faced the brunt of government repressions. The government has shown little inclination to reconcile with its opponents since the failed putsch attempt of July 2016. Rather, it has responded with excessive severity. Some 40,000 persons were arrested under the state of emergency laws, usually on charges of “terrorism.” Outside observers have noted that these terrorism charges have bordered on the ridiculous: in some cases, it was sufficient for an individual to have an account at a Gülen-owned bank to be arrested. Opposition parties, particularly the HDP, have been another target of repression. In November 2016, the joint leaders of the HDP, Selahattin Demirtaş and Figen Yüksekdağ, were arrested on charges of “terrorism.”

Civil society participation



Reconciliation



17 | International Cooperation

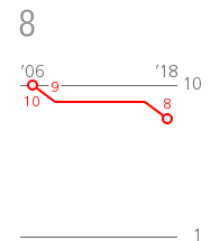
The multidimensional character of Turkish foreign policy expresses itself in and is best reflected by the country's membership in a wide range of leading international and regional organizations such as the United Nations, Council of Europe, North Atlantic Treaty Organization (NATO), Organization for Economic Cooperation and Development (OECD), Organization for Security and Cooperation in Europe (OSCE), World Trade Organization (WTO), Organization of the Islamic Conference (OIC), Black Sea Economic Cooperation (BSEC), Economic Cooperation Organization (ECO), and Developing 8 (D-8). Turkey has been an EU candidate country since December 1999 (with accession negotiations eventually started in October 2005). The process of Turkey becoming a member of the EU started as early as the late 1950s and has strongly influenced Turkish foreign policy ever since. Recently, Turkey began to extend its economic ties beyond the Balkans, Middle East, Caucasus and Central Asia. Given the prolonged and tedious EU accession process and long-standing foreign-policy differences (mainly about Cyprus), Turkey seems to be looking for stronger cooperation with states outside the EU (particularly Shanghai Cooperation Council). Paraphrasing President Erdoğan, these new partnerships appear to fit Turkish requirements better than the EU.

On 18 March 2016, Turkey and the EU entered into an agreement regarding refugees from Syria and Iraq. Turkey undertook to prevent refugees on its territory from traveling to Europe. Refugees that had already reached Greece were to be returned to Turkey. In return, the EU would provide EUR 6 billion for improving the living conditions of refugees in Turkey. The EU also agreed to ease or abolish visa requirements for Turkish citizens traveling to EU member states and to accelerate EU membership negotiations. For each refugee returned to Turkey, a Syrian refugee in Turkey was to be granted asylum in one of the EU member states. The agreement has not met with success: most EU member countries refused to accept refugees and opposed changing the visa regime. The Turkish government has attempted to use the agreement to counter resistance within the EU to Turkish membership as well as to stifle criticism of its increasingly authoritarian policies.

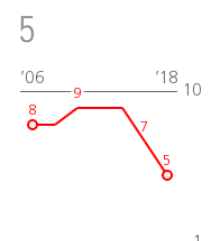
In the past, the international community considered the Turkish government to be a credible and reliable partner. In the current review period, this positive image has been severely marred. The authoritarian policies pursued by the government since the failed putsch of July 2016, the potential assent of a presidential system endowing the president with almost dictatorial powers and a growing rapprochement with Russia have given rise to grave concerns in the EU as to whether Turkey can still be considered a reliable partner.

Since the end of peace negotiations with the PKK, the Turkish armed forces have renewed their campaigns in the mainly Kurdish-populated areas of Southeastern

Effective use of support



Credibility



Anatolia. These campaigns, in part, aim at stamping out Kurdish militancy within the country. Turkish forces have also become involved in the fighting in neighboring Syria. Officially, Turkey was to support an international coalition in its fight against IS. Observers have noted, however, that Turkish forces appear rather to target the Kurdish militias of the YPK (the Syrian version of the PKK). This is due to Turkish fears that a Kurdish state could come into existence along the southern border of the country after victory against IS. The Turkish government has offered its airbase in İncirlik (Adana) to NATO forces. It has, however, forbidden German parliamentarians from visiting German troops at the base – a retaliation for a 2016 German parliament resolution on the 1915 Armenian genocide.

Rapprochement with Russia has not been straightforward. After Turkey shot down a Russian military aircraft that had entered its airspace from Syria, relations rapidly deteriorated. These relations, however, have since recovered with equal speed. The deteriorating security situation in the country in recent years has also damaged the image of the country among both businessmen and tourists. In conclusion, the behavior of the Turkish government has become erratic in many policy areas and the credibility of the country has suffered under this negative development.

Turkey adopted a “zero problems” foreign policy strategy in 2010. In doing so, it committed to the foreign policy strategy outlined by Mustafa Kemal Atatürk “Peace at Home, Peace with the World.” This policy, unfortunately, has not met with success. Today, Turkey is involved in a multitude of conflicts.

Turkey has a long-standing conflict with Armenia on Turkish involvement in the Armenian genocide during World War I. Furthermore, Turkey has consistently supported Turkic and Muslim Azerbaijan in its struggle with Armenia over control the Nagorno-Karabakh enclave. The Turkish-Armenian border has been closed for many years.

Relations with Greece also remain tense, not least due to the unresolved issue of Cyprus. There is also conflict with the internationally recognized government of Cyprus over exploitation rights for natural gas deposits recently discovered in Cypriot territorial waters. Turkey, the only country to recognize the “Turkish Republic of North Cyprus,” claimed to be entitled to conduct its own exploration against the protests of the Cypriot government.

Turkey’s strategy to develop Southeastern Anatolian – the so-called GAP (Güney Anadolu Projesi) – involves the construction of several massive dams. This construction will significantly reduce the amount of water in the Euphrates and Tigris rivers, on which Syria and Iraq, Turkey’s downstream neighbors, depend. Relations between Turkey and its Middle Eastern neighbors consequently soured. In addition, new conflicts have arisen. Soon after the outbreak of the Syrian civil war in 2011, the Turkish government announced its support for the forces opposing incumbent Syrian President Bashar al-Assad. In doing so, it also gave support to radical Sunni Islamist

Regional
cooperation

6



1

groups, including IS. While Western powers intervened in the conflict through air support and training missions for the mainly Kurdish forces opposing IS, the Turkish government stood accused of putting obstacles in the way of Kurdish forces by impeding the transport of military equipment and fighters over Turkish territory. Kurdish forces have also accused Turkey of giving tacit support to IS by allowing wounded IS fighters to obtain treatment in Turkey. As a Sunni Muslim power with an increasing orientation to the Near and Middle East, Turkey seems bent on participating in the construction of a “Sunni alliance” involving Turkey, Saudi Arabia, and a Sunni-dominated future Syrian government. It is thus involved in a conflict with the so-called Shi’i axis of Iran, al-Assad and the Lebanese Hezbollah. Yet the active involvement of Russian forces in the Syrian civil war in support of President Assad makes it unlikely that Assad will fall from power anytime soon. As a consequence, the emergence of a Sunni axis appears highly doubtful. Partly in retaliation for several terrorist attacks on Turkish territory committed by IS and partly to protect its border with Syria, Turkey turned against the terrorist militia and sent troops to Syria in August 2016. The Turkish government did not hide its intentions to not only fight IS, but also the Kurdish YPK militias. 2,000 square kilometers of Syrian territory were brought under control.

Relations with the EU have deteriorated. Since membership negotiations officially commenced in 2005 little progress has been made. On the one hand, this is due to several EU member countries being vehemently opposed to Turkish membership. On the other hand, President Erdoğan’s increasingly authoritarian policies, particularly since the failed putsch attempt of July 2016, have opened an even deeper rift between Turkey and the EU. The EC has announced that membership negotiations would be broken off if Turkey reintroduced capital punishment.

Relations with Israel were gradually reestablished after an IS suicide bomber killed three Israeli tourists in Istanbul. In March 2016, the director-general of the Israeli foreign ministry visited his Turkish counterpart to negotiate better relations as both countries see themselves threatened by Islamic terrorism. Turkey has free trade agreements with Jordan and continues to cooperate with the countries of the South Caucasus and Central Asia. The latter includes a 2010 strategic partnership agreement with Kazakhstan. Turkey is clearly interested in becoming a regional power. The country has the potential to considerably influence the reconstruction of the Near and Middle East should the present conflicts be resolved. However, the lack of progress on conflict resolution remains a cause for concern.

Strategic Outlook

Since its founding, Turkey has been oriented toward Europe and the West. In recent decades, this manifested itself in the aspiration to join the EU. However, the long history of slights from and seemingly insurmountable conflicts with the EU has affected a policy change. Erdoğan's stated intentions – particularly the reintroduction of capital punishment – mean the de jure end of the EU accession process, though this process has been arguably de facto dead for some time. Turkey now appears intent on becoming a regional power, with close ties to the predominantly Muslim countries of the Middle East as well as the Shanghai Cooperation Council (whose most important members are Russia and China).

Yet, Turkey faces both internal and external obstacles to realizing this strategic goal. Income disparities between rural and urban areas, particularly in the east and southeast of the country, remain an ongoing source of social problems. In addition, an antagonistic political climate is observable. In the past, political tensions existed between supporters of the AKP government and partisans (many of them elites) of the “old” Kemalist system. Today, the frontline is between the AKP supporters, who regard former Prime Minister and current President Recep Tayyip Erdoğan as the strong leader the country needs, and groups interested in increasing liberalism, civil rights, and social justice.

The referendum on the introduction of a presidential system, to be held on 16 April 2017, will bring this polarized conflict to a head. If approved, the new presidential system would concentrate almost all power in the hands of President Erdoğan and allow him to remain in office until 2029. Supporters of the constitutional reform argue that a presidential system would enhance Turkey's stability and security (Turkey remains threatened by wars in neighboring Iraq and Syria as well as terrorist attacks from IS and PKK). Opponents fear that it will transform Turkey from a pluralist multiparty democracy to an authoritarian state. The government's response to the July 2016 failed coup attempt appear to validate these fears. Adoption of a presidential system would signal a momentous change in Turkey's system of governance, with broader consequences than the implementation of a multiparty democracy in 1946.

Turkey's external challenges primarily originate with the deteriorating situation in the Middle East. The Syrian civil war, which erupted in 2011, continues to rage. The emergence of the terrorist militia IS, which managed to bring considerable Syrian and Iraqi territory under its control, poses major challenges for the Turkish government. Kurdish armed forces had been the only credible and effective opposition to the IS threat. In early 2015, with considerable support from Western powers, these forces managed to seriously challenge IS. As a consequence of these Kurdish military successes, the potential for the emergence of a Kurdish nation-state in the Middle East has increased substantially. Given the decades of conflict between the Turkish state and Kurds, this is viewed by Turkey as a grave threat. A peace process with Turkish Kurds has stalled almost completely as a result of increasing government aggression. The failure of the peace process has had disastrous effects on the security situation and further aggravated existing polarization. Turkey

has also shifted policies with regard to the civil war in neighboring Syria. It has positioned itself firmly against IS and become the target of several terroristic attacks. As a populous and influential national state, Turkey will no doubt continue to play an important role in the Middle East, though its success will be hampered by continuing internal and external policy challenges.