

Turkey: Country Review

**An overview of Social, Political and Economic Conditions
and Developments and Development Cooperation Activities**

Anders Zeijlon

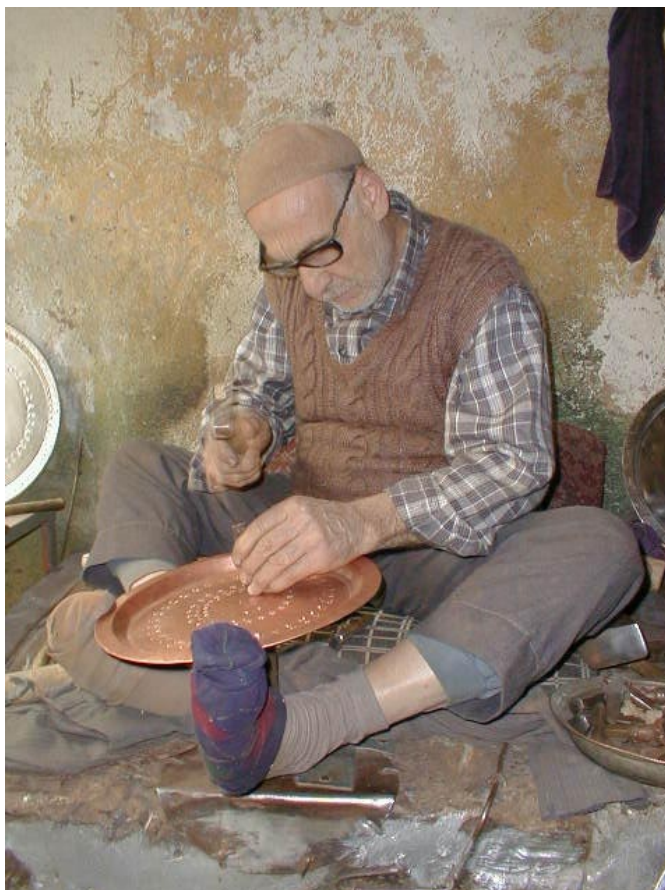


SWEDISH INTERNATIONAL DEVELOPMENT
COOPERATION AGENCY

Department for Central and Eastern Europe

Turkey: Country Review

An Overview of Social, Political and Economic Conditions and Developments
and Development Cooperation Activities



Coppersmith in Mardin, Southeastern Turkey

Prepared by Anders Zeijlon for
The Swedish International Development Cooperation Agency (Sida)

Abbreviations and Currency Equivalents



AKP	=	Justice and Development Party
ANAP	=	The Motherland Party
CHP	=	Republican Peoples' Party
DSP	=	The Democratic Left Party
DYP	=	The True Path Party
EBRD	=	European Bank for Reconstruction and Development
ESDP	=	Europe Security and Defense Policy
EU	=	European Union
FAZILET	=	The Virtue Party
FSU	=	Former Soviet Union
HADEP	=	Kurdish Peoples' Democratic Party
HRF	=	Human Rights Foundation
IMF	=	International Monetary Fund
MHP	=	The National Action Party
NGO	=	Non Government Organization
NSC	=	National Security Council
PKK	=	The Kurdish Peoples' Party
Saadet	=	Happiness Party
Sida	=	Swedish International Development Cooperation Agency
SSC	=	State Security Court
TNP	=	Turkish National Police
UNPD	=	United Nations Development Program
WB	=	World Bank
Currency Unit	=	Turkish Lira (L)
SEK1.00	=	L 150
€ 1.00	=	L 1,225
US\$ 1.00	=	L 1,500

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Map of The Republic of Turkey



Guide to pronunciation

The Turkish spelling has been retained for names and places in this report. Most letters are pronounced as in English, but there are some notable exceptions. There are also six letters not found in the English alphabet.

- c like j in jam
- ç like ch in chip
- ğ as y in lawyer, not pronounced between vowels
- ı like e in dozen
- j like sh in pleasure
- ö like u in fur
- ş like sh in shell
- ü like ee in see, but wýth rounded lýps

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1. Executive Summary

1. The Republic of Turkey was established in 1923, designed as a centralist, reform-oriented, secular and pro-western state to avoid the damaging ethnic and religious infighting of its predecessor, the Ottoman Empire. Following the end of one-party rule in 1950, armed forces interventions in 1960, 1971 and 1980, sweeping economic reforms in the 1980's and growing popularity of political Islam in the 1990's, Turkey in the 20th century is a vital and vibrant country with a strong social fabric and competitive and diversified economy. Many of the foreign visitors find a delightful country with hospitable people, a lively civil society, a pleasant climate and rich cultural heritage with little in common with the often-gloomy picture portrayed of Turkey abroad.

2. Turkey's strong and resilient society also provides room for a fierce domestic political debate where one of the key issues is the role of Islam in Turkish politics. A massive campaign against the growing political Islam movement led to a ban of the main fundamentalist party in 1997 after it had held the Prime Minister position for one year. A three-party secular coalition won the elections in 1999, and the successor Islamic party was again banned in 2001. Large parts of the population now hope that the Islam politicians will adopt moderate policies and seek coexistence with the secular forces. A second issue concerns the poor public confidence in the political and government establishment. The political parties are largely seen as vehicles for their leaders to capture state resources and channel them to their respective patronage networks. Accusations of corruption and nepotism are common.

3. A third broad issue, ethnic and human rights, focuses on three broad issues. The first is the still common use of torture and abuse by the security forces despite this violating the law and many senior government officials and politicians pleading to stop it. The second is the many legal obstacles preventing the realization of many of the civil liberties set out in the constitution. The rights include freedom of speech, expression and association and the restrictions focus on individuals and groups perceived to question the integrity of the state. The third is the Kurdish conflict and the fighting with the Kurdish People's Party (PKK) that had claimed an estimated 30,000 lives by 1999, when hostilities came to a virtual stop after the capture and cease-fire offer of Abdullah Öcalan, the PKK leader. The Kurdish language remains illegal in some contexts, as do many other forms of expression of Kurdish identity.

4. Turkey is a candidate for EU accession since 1999. Negotiations will start after the political Copenhagen Criteria have been met, i.e. after a firm institutional framework for democracy, rule of law, human rights and protection of minorities is in place. Other EU related issues include Cyprus' likely EU accession in the near future and Turkey's reluctance to grant EU access to NATO assets for crisis management under the Europe Security and Defense Policy (ESDP) without Turkish participation in the ESDP decision-making.

5. Turkey's economy is robust and has grown by a respectable 4% p.a. during the last 40 years. It could do even better were it not plagued by high inflation and persistent fiscal deficits, caused by costly distortions and practices. Economic reforms are being pursued and coordinated by a new economics minister and include improved macro management, the establishment of independent steering boards in some sectors (banking, telecom), privatization of state industries and banks and the adoption of a new public procurement law. The income distribution is more uneven, and the standards of social services are often lower, than in other countries at similar income levels.

6. Main actors in the donor community include the IMF and the World Bank with programs supporting the reform efforts. The EU program is intended to facilitate the accession process. Germany has the largest bilateral program and the UN runs a program covering many governance related issues. There is also a large and growing NGO community based on a long tradition in Turkish society.

7. Any future bilateral activities should focus on innovative activities that would otherwise not take place. Selected programs should address some of the major issues facing Turkey, i.e. promoting a more equitable society and access to basic social services, improving the credibility of the political institutions, and human rights. The envisaged EU accession provides momentum and interest for the associated reforms and changes and a useful frame of reference for bilaterally funded activities.

2. Politics at Home

8. The Republic of Turkey approaches its 80th birthday as a vibrant and strong society with many appealing features. Perhaps most importantly, its social fabric remains largely intact. Traditional values such as the family and a strong sense of obligation to the community have stayed in place, unlike in many other rapidly modernizing countries. Personal safety in most parts of the country is better than in most countries in the West. Turkey has a strong civil society, both in the secular and Islamic camps, with traditions going back several hundred years. It is well endowed with natural resources such as water and arable land. Visitors are often surprised to find the many appealing sides to every-day living, partly because prejudices of Turkey as a backward and dangerous place linger on abroad, at times kept alive by mostly negative reporting in western media. The welcoming way by which the Turks relate to others, combined with a rich cultural and archeological heritage and the mild Mediterranean climate are important factors behind the growing tourism industry with an estimated 14 million visitors in 2001.

9. Despite its many achievements some persistent and deep-rooted political issues continue to plague Turkey. These are openly and fiercely debated and the Turks are themselves the hardest critics of their country. The four broad issues that dominate the public debate are; (i) political corruption caused by the capture of parts of the state by private interests, (ii) the long-standing struggle between secular Turkey and political Islam, (iii) the harsh treatment of ethnic minorities, i.e. the Kurds, and (iv) the infringement on human rights. Each of these areas is discussed below, following a summary of Turkey's origins and some recent political developments.

2.1. A Brief History

10. The Turkish people migrated from Central Asia to the west between 500 and 1,500 AD and reached the Anatolian peninsula, similar in size to Scandinavia, where modern Turkey and its 65 million inhabitants are located. The House of Osman united the many Turkish groups, conquered Constantinople 1453 and established the Ottoman Empire. It expanded into a major economic and political force and came to include Turkey, the Balkans, parts of Central Europe, Iraq and the Middle East, parts of the Caucasus, the Arabia peninsula and North Africa.

11. The expansion turned into decline in the 1700's. Outer parts of the empire started to demand special treatment or succession on religious or ethnic grounds, only to be met with Ottoman opposition and military action to which the powerful European powers would protest and insist on compliance. The Ottomans fought on the losing side during the First World War and under the never-ratified Treaty of Sevres the Allies made plans to divide most of what was left of the Empire between the UK, France, Greece, Italy and Armenia. Only an area about a third of what is today's Turkey in central Anatolia would remain Turkish territory. Greek, Armenian and Russian forces attacked and the 1920-23 Independence War started.

12. A young officer-turned-statesman called Mustafa Kemal organized the Turkish military, secured what are roughly today's borders and became the first president of the Republic of Turkey, founded in October 1923. He set about rebuilding a war-torn and demoralized country with about 12 million mostly illiterate peasants and refugees. Seeking to avoid the damaging ethnic and religious infighting that had destroyed the Empire he created a westernized and secular state with emphasis on modernization, centralism and nationalism.

13. Reforms included replacing the Islamic law with the Swiss Civil Code and Mussolini's Penal Code in 1926, introduction of the Latin alphabet and a nation wide literacy campaign, and four years before his death, in 1934, making surnames mandatory. Kemal reserved the surname Atatürk-meaning father of the Turks-for himself. Turkey managed to stay neutral during the Second World War. After 1945 it achieved a privileged relationship with the USA as a valued partner for the peace and stability in the Middle East and to counter Soviet expansionism.



Atatürk's Mausoleum, Ankara

14. Kemal's Republican People's Party (CHP) was the only party permitted until competitive party politics was introduced in 1946. Then, as now, the political struggle stood between Kemal's statist, centralist, secular and military-supported model and a more conservative, populist, rural-based and Islam-friendly approach. In 1950 the opposition Democratic Party won the elections. This started a cyclical process that became the curse of multi party politics: the election and initially successful ruling of a democratic government, followed by populist and irresponsible policies leading to unrest and financial crisis, and ending with the army stepping in. Since 1950, the armed forces have directly taken power three times, in 1960, 1971 and in 1980. Each time the immediate crisis was solved, a new constitution put in place and economic order and civilian control restored after a transition period.

2.2. The Political, Administrative and Judiciary System

15. The political and administrative system was put in place after the 1980 coup and is similar to those in the west and to that in France in particular. *Legislative power* rests with the 550 seat unicameral parliament called the Grand National Assembly with deputies elected every five years. Citizens over the age of thirty are eligible to be a deputy unless they have been involved in "ideological and anarchistic activities". Deputies are often young and well educated. They exercise more patronage and influence than their counterparts in the west and intervene in the bureaucracy more actively and frequently. The *President* is elected by the parliament for a period of seven years and appoints the *Prime Minister* and the other ministers. The *armed forces* do not exercise any formal executive power, but have considerable de-facto influence. The advisory National Security Council (NSC) is chaired by the President, meets every month and is attended by the five leading military commanders and five most senior politicians.

16. At *local level*, the country is divided into 65 provinces, each of which is headed by a centrally appointed governor, at times at conflict with the locally elected mayors and city councils in the 3,200 municipal authorities. There are also about 35,000 villages where a council of elders and headmen are elected. The Ministry of Interior exercises considerable power, or "tutelage", over the local authorities and may reverse decisions made. Funding for the provinces and local authorities comes mainly from the center. The spending levels at local level are lower than in most other middle-income countries.

17. The Government generally respects the Constitution's provisions for an independent judiciary although periodical announcements about threats to the State can be seen as instructions to the courts. The judicial system comprises (i) general law courts for most cases, (ii) military courts for military staff, civilians accused of harming the honor of the armed forces and cases related to the compliance with the draft, and (iii) State Security Courts (SSC) where cases such as terrorism, gang-related crimes, drug smuggling, illegal organizations and dissemination of ideas prohibited by law are

heard. In SSCs hearings may be closed and evidence obtained during police interrogation in absence of a lawyer may be admitted. The Constitutional Court is the republic's highest court.

2.3. Recent Political Developments – Four Issues

18. The center-right Motherland party won the 1983 post-coup elections and introduced sweeping economic reforms liberalizing trade and finance. This promoted an open and growth-oriented society, ended the dominance of central planning and the state industries and was the main feature of politics in the 1980's. Issues in the 1990's included the escalating Kurdish conflict, the 1994 financial crisis and, perhaps most importantly, the growing popularity of political Islam. The center-right True Path party won the 1991 elections and elected Tancu Çiller as leader, giving Turkey its first female prime minister in 1993. The fundamentalist Welfare party became the largest party after the 1995 elections, and gave Turkey its first pro-Islam Prime Minister in 1996. This caused a strong counter-reaction from the army, state and secular parts of civil society. A "soft coup" was played out as the Welfare party was put out of power and declared illegal. The Motherland party formed a new government and stayed in place until the 1999 elections.

19. *Key political parties and personalities:* Twelve political parties competed in the 1999 elections. After the votes were counted, a leftist, a center-right and one extremist right party formed the current coalition government, overcoming their internal differences to keep the Islamists out. The three coalition parties are:

- (i) *The Democratic Left Party (DSP)*. With 22% of the votes this is the largest party in Turkey. It is a main carrier of the modernization and reformist part of Kemalist tradition. Its leader is *Bülent Ecevit* – now Prime Minister for the fifth time and the leading leftist politician in Turkey.
- (ii) *The National Action Party (MHP)* is the second largest party with about 21.5% of the votes. It carries the nationalist and statist tradition of Kemalism, is the most rightist party in parliament and has close links with the security forces. It was founded in 1969 by *Alparslan Türkeş*, a former general, and played a big role in the escalation of political violence in the 1970's. *Devlet Bahçeli* now leads the party, trying to create a more moderate image of the party and break with its violent past.
- (iii) *The Motherland Party (ANAP)* is the fourth largest party and took 14% of the votes. The dynamic *Turgut Özal* founded it in 1983. *Özal* became president in the late 1980's and was replaced by *Mesut Yılmaz* who remains the party leader today. Originally representing a mix of religion and modern economics, ANAP oriented itself more towards the business community during the 1990's, but was the big loser in the April 1999 elections.

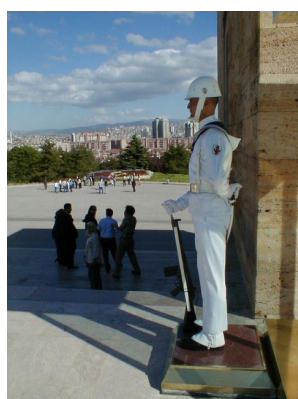
20. The following *two opposition parties* managed to reach the minimum 10% of votes needed to get into parliament:

- (i) *The Virtue Party (FAZİLET)* was the successor to the banned Welfare party and became the third largest party with some 21.3% of the votes. *Necmettin Erbakan*, the key representative for political Islam in Turkey, founded and led the Welfare party from 1987 and was after one year as Prime Minister 1996–97 banned from political activities. The leadership of the follow-on Virtue party was taken over by the less known *Recai Kutan*. In June 2001 the Virtue Party was declared illegal and banned. Two successor parties were immediately formed: (i) the reformist Justice and Development party (AKP) headed by the dynamic former mayor of Istanbul *Recep Tayyip Erdoğan*, and (ii) the more conservative Happiness Party (Saadet) for which Kutan remains the leader.

The deputies of the banned Virtue Party are roughly evenly divided between the two follow-on parties, but the reformist AKP is judged to be the more popular of the two and is expected to do well in the future elections.

- (ii) *The True Path Party (DYP)* got 12% of the votes and is the fifth and smallest party in parliament. It is the descendant of earlier banned rural/conservative parties opposing Kemalist policies. *Süleyman Demirel*, the “Father” in Turkish politics and seven times Prime Minister and President after Özal’s death in 1993, founded it in 1983. Tancu Çiller replaced him and remains the party’s leader today.

21. Outside parliament, Mustafa Kemal’s *Republican People’s party (CHP)* leader Deniz Baykal resigned after the party received only 9% of the votes and for the first time in history lost its place in Parliament. The Kurdish *People’s Democratic Party (HADEP)* is a Kurdish political party, which was established in 1994. It typically receives about 5% of the national vote, preventing it to enter Parliament, but has strong support in some areas in the southeast.



The armed forces – trusted by the public

22. The coalition government’s first priority was to take the country out of the 1999 recession in the aftermath of the Russia crisis. An initially successful economic program was designed and implemented. Fears that the three parties would not be able to overcome internal problems did not materialize as evidenced by the appointment of a new President, Necdet Snazer, in May 2000. Public support remained largely in place until the financial crisis hit (discussed in more detail in Chapter 4) in early 2001. Despite severe criticism, the Prime Minister announced that the Government would stay in the interest of stability and that no early elections are planned.

23. After 50 years of multi-party politics, public confidence in the parties and politicians is very low. A recent study by TESEV, a think-tank in Istanbul, examined the public’s trust in various institutions. It concluded that the armed forces and the education system were the most trusted. Political parties, central government and newspapers were at the bottom of the list, with municipalities, police and the court system in the middle. The parties are often seen as very focused on their leaders, with little room for real political debate.

2.3.1. State Capture and Corruption

24. Many critics accuse political parties and government of being captured by private or partial interests. Party politics and government are seen as plagued with corruption, nepotism and patronage and of trying to get control of public procurement and the distribution of public funds simply to steer resources to their respective patronage networks. Funds are used to increase the power of the party, the personal fortunes of key persons, or to buy votes. At local level, voters’ loyalty is promoted by income and employment opportunities, government jobs, housing and other services. The Motherland and True Path parties are linked more frequently to corruption allegations than

Survey Result – Trust in Institutions	
Institution	Score *
Armed forces	7.7
The education system	5.5
Courts	5.0
Municipalities	4.4
Newspapers	4.0
Central government	3.9
Political parties	2.1
*10 = Fully trust, 0 = Do not trust at all	

DYP, but no political party is considered “clean”. The armed forces, Prime Minister and the President are generally excluded from accusations and considered firm opponents of corruption.

25. Responding to the never-ending supply of corruption allegations, the Government in late 2000 started 21 investigations of corruption in many areas leading to several hundreds of detentions and over 100 arrests. The high-profile investigation of the Energy Ministry was started by the State Security Court and carried out by the para military Gendarmerie, an unusual practice showing the involvement of the armed forces. Many senior officials were arrested and allegedly a total of US\$50 million seized. Investigations of the procurement practices in the Ministry of Public Works also led to several arrests.

26. In the TESEV study, respondents said corruption was the third most important issue (after inflation and unemployment). Teachers and army officers were considered the most honest, followed by judges. At the other end, members of parliament, customs officers, the traffic police and tax inspectors were judged to be dishonest. These views were also reflected in the assessment of the extent of bribery in various institutions.

27. Is Turkey more corrupt than other countries, or is there just a lot of talk about it? Transparency International surveys suggest that Turkey is more corrupt than most richer countries, but significantly less than other countries in the region – particularly those with younger market economies.

2.3.2. Religion

28. Religion is largely controlled by government and Islamic parties often ask for separation of religion and the state. The 60,000 imams are trained and paid by the state and are instructed what to say in their Friday prayers. About 99% of the population is Muslim and most of them, about 80%, are Sunni. There are a number of *tarikats*, or *Muslim Brotherhoods*, which have played important roles in politics since Ottoman times. Small Christian (Greek, Armenian, Assyrian) and Jewish communities are located mainly in Istanbul, and there are small Christian populations in the Southeast.

29. The *Alevi* are *Shia Muslims*, who make up about 20% of the population and include Turks, Kurds as well as Arabs. Interaction with the more austere Sunni is rare both because the religious practices contrast and as the Alevi are strong defenders of Mustafa Kemal and leftist policies. The economical liberalization of the 1980s and the growing political Islam of the 1990s were seen as threats by the Alevi who increasingly view themselves as a repressed and excluded minority. In 1993, a tragedy occurred during an Alevi festival as a satirist defended the publication of Salman Rushdie's

TESEV: Honesty and Extent of Bribery			
Institution	Score *	% of users bribing	Value of bribe, \$
Traffic police	7.6	23%	\$20
Customs	7.6	20%	\$240
Other police	6.1	13%	\$110
Schools	4.6	12%	\$40
Hospitals	4.6	7%	\$80
Courts	4.9	7%	\$220
Municipalities	6.4	6%	\$100
Tax inspectors	7.1	6%	\$55
Armed Forces	2.7	n.a.	n.a.
*10 = Bribery believed widespread, 0 = No bribery			

Corruption Index: Transparency International		
Country	Rank *	Score **
Greece	35	4.9
Turkey	50	3.8
Moldova	74	2.6
Armenia	76	2.5
Azerbaijan	87	1.5
Ukraine	87	1.5
Yugoslavia	89	1.3
* 1 best, 90 worst ** 10 best, 1 worst		

“Satanic Verses” which is officially banned in Turkey. Demonstrations by the Sunni community followed, somebody set fire to the hotel where the festival was held, and 37 people died. All of Turkey was shocked to see this violent interpretation of Islam present in the country.

30. *Political Islam* grew rapidly during the 1990’s, shaped as an increasingly assertive protest movement against the secular state. The urbanization process provided a fertile base of recruits with rural migrants coming to the cities with their religious beliefs largely intact. Political Islam was spread to traditionally secular areas such as schools, political parties and business groups. Previously introvert brotherhoods turned into religious civic organizations using a mix of modern organization, resource mobilization and recruitment of activists to spread their message. Many Islamic organizations won praise for working hands-on with issues close to people’s daily lives such as the provision of municipal services and housing.



The Blue Mosque – Istanbul

31. Leading members of the movement included MPs, ministers, party leaders and even prime ministers. Owners of small and medium sized businesses became one of the support groups for the movement as a protest against the distribution of state resources favoring established businesses. Political Islam came to include entrepreneurs, community leaders, the new middle class, and rural migrants in urban centers, all joined together by a feeling of exclusion and being controlled by the dominant and secular groups.

32. Secular Turkey watched the growth of political Islam and emphasized its weak sides, in particular the inability to combine individual freedom with Islam’s social solidarity. Many Islam communities stuck to authoritarian and patriarchal relations and forms of control, including gender segregation and obedience of elders. Many also became extremely politicized, focused on seizing of power to steer the individual in every aspect of his life. The charitable activities were often associated with a powerful sense of indebtedness. Emphasis of symbolic differences with other groups fostered voluntary segregation.

33. The Welfare party’s capturing the Prime Minister position in 1996 was the final signal to Turkey’s secular forces to launch a counter attack. The Welfare Party was closed down, the political activities for selected deputies and mayors restricted, there was increased scrutiny of Islamic businesses, tighter control over religious associations, and some religious schools were closed. These administrative actions combined with a powerful pro-secular movement in civil society. Many women established associations and networks to defend the advancement of equality between the sexes, increased participation of women in public life, and the Alevi held gatherings to protest against Islamic encroachment. A “minute-of-darkness” campaign was launched where supporters of the secular agenda switched off their lights at home to protest against the “Iranization of Turkey”. The “Association of Atatürk Thought” got 45,000 new members and a “Civilian Initiative” by trade unions and business confederations adopted strategies against the fundamentalist threat.

34. The Constitutional Court’s ban of the Welfare Party’s successor, the Virtue Party, in June 2001 represents a somewhat calmer aftermath of the clashes in the late 1990’s. Many of its voters have emerged from the 1990’s with a better appreciation of how strong secular country Turkey really is, and of the complexities that comes with the relatively high economic and social development in Turkey. Hopes are now pinned on Virtue’s reformist successor, the Justice and Development Party, to reconcile Islam with the secular community and adopt a more pragmatic approach. The need to form broader alliances is increasingly recognized.

2.3.3. Ethnic Minorities – The Kurds

35. There are over 30 ethnic groups in Turkey. Turkic immigrants from the FSU and the Caucasus are generally well integrated, as are the immigrants from the Balkan countries. There is also a sizeable Arab population in the southeast. Recent events have revived the interest in ethnic identity among these groups although they are normally not active in Turkish politics. The indigenous Laz of the Black Sea area tend to form close communities and maintain residentially segregated areas as they migrate to the cities. Loyalty to kinship obligations and family honor are key concepts.

36. About 12 million Kurds form about 15% of the population, or about 60% of the population in the southeast. Neither Turkish nor Arab, their origins date back to early Indo-European bronze age and there are records of Kurds living in eastern Turkey around 400 BC. Kurdish princes and chiefs ruled the mountains and the valleys, expanded their territories when the Turkish, Persian or Arab states around them weakened, only to be crushed when they recovered. The Ottomans emphasized the common Sunni Islam bonds with dozens of independent princes in the remote mountains with the aim of preventing Kurdish entity.

37. When the Turkish Republic was founded, suspicions of foreign support behind Kurdish uprisings combined with the emphasis on national unity resulted in the Kurdish language being outlawed in 1923. The right to speak any language other than Turkish was reserved for the Greek, Jewish and Armenian minorities. In 1924, Kurdish schools, publications and associations were banned. The Kurds rebelled against this as well as against Kemal's secular policies. The uprising was forcefully crushed with hundreds of villages destroyed and hundreds of thousands of Kurds deported. After this followed 50 years of silence during which foreigners were banned from travel in the southeast and a heavy military and police presence was built up.



Street shopping in Mardin in Eastern Turkey

38. The *Kurdistan Workers party (PKK)* was founded in 1978 by a group of radical leftists led by *Abdullah Öcalan*. Their initial goal was to promote revolutionary policies in the region, but they gradually came to adopt the formation of a separate state of Kurdistan as their main objective. PKK's popularity peaked around 1990 as many young men joined PKK after the Iraq trade embargo depressed the economy of eastern Turkey. Estimates of the PKK forces at the time ranged from 5,000 to 15,000 armed soldiers. PKK operations and the counter-attacks by the security forces have to date left about 30,000 dead, some 2,000 Kurdish villages destroyed and at least 300,000 people uprooted. In the 1990's it was estimated that 200,000 soldiers and about 60,000 local militia village guards were based in the southeast. In its attempts to crush PKK, the nationalist right and the security forces around 1990 sponsored a secret call for Islam resistance against the PKK. This later became Hezbollah, party of God, and became a security problem of its own, possibly responsible for many of several thousand murders committed by "un-known" since 1991.

39. In Ankara, parliamentary deputies from the Social Democrats formed the first Kurdish nationalist party, the People's Labor party (HEP), in 1990, tolerated as a means to stop driving the Kurds into the arms of PKK. HEP was closed down in 1993 only to reappear under another name, DEP. This party was also closed and Prime Minister Çiller in 1994 lifted the immunity of the Kurdish deputies after intense military pressure. Some of the deputies were taken to prison straight from the parliament and received heavy sentences of up to 15 years. Some of the DEP deputies went to Europe where they became human right activists known as the "Parliament in Exile". In 1994, today's HADEP was formed but its deputies left parliament as the party failed to reach the 10% cut-off share of votes in the 1995 elections. The state of emergency, declared in 1987, continues in four

southeastern provinces that faced substantial PKK terrorist violence. The level of violence has been low since the arrest of PKK leader Öcalan in 1999. According to the Government, the number of PKK-related terrorist incidents has declined by almost 90 percent since 1999. Öcalan has been sentenced to death but it is commonly thought that the punishment will be suspended indefinitely.

40. The Constitution does not recognize the Kurds as a minority. Privately spoken or printed communication in Kurdish is now legal, but the use of languages other than Turkish in television and broadcasts, by political parties and in schools are restricted by a number of laws that are enforced arbitrarily. Police continues to interfere with distribution of Kurdish newspapers even if their publishing is legal. Senior politicians, including Ecevit, Yılmaz and Foreign Minister İsmail Çem have publicly said that Government should allow Kurdish broadcasts, but there have been no changes in the applicable laws.

41. Kurdish migration to the cities was accelerated by the rebellions and village demolitions in the 1980's and is now taking place on a massive scale. About half of Turkey's 12 million Kurds are settled in the western half of Turkey. In the cities, they often start out as day laborers residing in the city suburbs, but are increasingly making their way into the urban middle class of engineers and businessmen with little or no intentions of moving back. In a 1992 survey of Kurds in Istanbul 26% said they would like to return to their home village and 43% would absolutely not.

42. There is no systematic discrimination against Kurds in areas like the labor market, business, or in the provision of housing and other services. Rather, they often end up in the least-paid and worst jobs as they are poor and ill educated. The legal system does not discriminate against minorities although all hearings are held in Turkish. Kurd migrants have extensive relations with other sections of the population, sharing their Sunni religion. There is little resistance to intermarriage and an estimated one million marriages between Kurds and Turks. Two of the earlier presidents had Kurdish blood, several ministers in the 1980s and 1990s have been Kurdish with some of them speaking Kurdish openly in their offices with others refusing to even discuss their origins. Kurdish votes are divided as Kurdish Alevi (about one fifth of the Kurdish population) vote for secular leftist parties, the religiously inclined Sunni Kurds vote for the (now banned) Virtue Party, and the Kurdish nationalists for HADEP.

2.3.4. Human Rights

43. The debate on human rights in Turkey is open and lively and covers two groups of issues; (i) the integrity of the person including freedom from abuse and (ii) respect for civil liberties.

Integrity of the person

44. Reports of torture and other forms of physical abuse remain widespread and focus on the behavior of the security forces. These include the Turkish National Police (TNP), responsible for security in the urban areas, the Jandarma (Gendarmerie) upholding security in the countryside, various "special teams", anti-terror squads and government-paid village guards. The some 65,000 village-guards, mainly in the southeast, are considered least respectful of human rights, followed by the special groups, the Jandarma, and finally the police. The armed forces support internal security in the state of emergency areas in the southeast, but accusations of abuse committed by them are very limited.

45. The most severe abuse is the *extra-judicial killings*. During 2000, more than 50 prison inmates died during protests or after being shot for not heeding "stop warnings". At least another 20 persons died during raids on alleged terrorist houses. Unlike previous years, there were no reports of disappearances of political activists (36 cases in 1999) or of persons dying from torture during detention.

According to the Ministry of Interior, there have been 425 applications for missing persons of political nature since 1996. Of these 88 were found alive, 18 were in prison, 46 died, and 273 were still missing. 24 trials against security officers for extra-judicial killings started during 2000. Eight cases with 67 officers on trial were concluded of which 65 were acquitted and two were convicted.

46. The *use of torture* continues to be widespread among the security forces (other than the armed forces) despite the Constitution's prohibiting torture, Government cooperation with unscheduled foreign inspection teams and public pledges from successive governments to end the practice. Human rights groups claim that most persons detained for political crimes suffer some kind of torture during periods between detention and being brought before the court, and that ordinary criminal suspects also suffer frequent abuse. Those arrested for political crimes are subjected to worse torture (electric shocks, cold water) unless information and confessions are provided, while persons arrested for ordinary crimes report "being beaten up until they confessed". The HRF reports 1,030 cases of torture victims at their five treatment centers in 2000, up from 700 the previous year. Many observers state only between 5 and 20% of the victims actually report torture for fear of retaliation or believe that complaints will not yield any results.



Grand old house with many tenants

47. Factors contributing to the sustained use of torture include: (i) the use of incommunicado detention and a high number of detentions in general, (ii) the arresting officer is often responsible for interrogation and may resort to torture to get a confession to justify the arrest, and (iii) uneven implementation of the right to access a lawyer. The secret and at times arbitrary nature of arrest and detention remains a problem. The number of arrests was 22 thousand during the first eight months of 2000 compared to 40 thousand the same period the previous year.

48. As in many other countries, convictions of security forces staff are rare. According to TNP judicial action against security officers accused of torture during 2000 resulted in 124 convictions, 326 acquittals, 168 ongoing cases, and no action in 392 other cases. 63 police officers were given administrative punishments while 890 cases were dismissed. According to the Ministry of Justice 1,258 cases of torture were brought to prosecutors during 2000. Of these, 71 were convicted, 94 dismissed and 921 still being processed. Various legal and administrative arrangements make it difficult to pursue prosecutions and convictions for torture.

49. *Prison conditions* are poor. In May 2000 the Parliament's Human Rights Committee published several studies critical of the prisons. The Ministry of Justice admitted publicly that it has not had full control over prisons since 1991. Under the existing ward system, prisoners with similar ideological views are often placed in the same location. This has led to gang or terrorist control of entire wards. Government's attempts to move prisoners to a small group (f-type) cell system has met with criticism from prisoners and human right groups, arguing that the small cells isolate individual prisoners or small groups. Hundreds of prisoners, most of them associated with far-left groups, went on hunger strikes to protest against the small-cell system in late 2000, and several of them have died. Government entered prisons in December in an attempt to end the strikes, and 31 prisoners and two police officers died. Weapons, cell-phones and other illegal materials were found. The Government permits prison visits by representatives from some international organizations, including the European Committee to Prevent Torture and the UN.

Respect for Civil Liberties

50. The Constitution provides for both freedom of speech and press and for restrictions of these freedoms to defend the secular and unitary state and to protect public order. This has resulted in a number of restricting laws against disseminating separatist propaganda, inciting religious, ethnic or racial enmity, and against insulting the Parliament, the army, the republic, Atatürk or the judiciary, or aiding an illegal organization. The Press Law includes another 150 articles to be observed, including prohibition to report on ongoing trials. Despite the risk for prosecution, media criticism of the government, leaders and policies is becoming more adversarial. Readers and viewers enjoy lively and open debates on issues relating to Turkey's EU accession process, the role of the military, the political role of Islam, and the thorny issue of the Kurds and minorities. Domestic and foreign newspapers are freely available and provide a broad spectrum of views, including fierce criticism of the government. There are about 16 national, 15 regional and 229 local television stations, and many more are available via cable or satellite, and about 1,200 radio stations. There are no restrictions on the rapidly growing Internet use, although legislation for monitoring Internet traffic is under consideration.

51. Many cases against media workers are brought to court every year and most of them are dismissed, implying that many cases serve as harassment of journalists and other writers. Some writers remain in jail. The Ministry of Interior reports that 43 journalists were in prison in July 2000 of which 26 had been convicted. 14 journalists were put in prison in 2000 compared to 18 in 1999. The High Board of Radio and Television (RTUK) monitors radio and TV broadcasts. It intervened on 210 occasions in 2000, typically closing down stations between one day and up to several months for "terrorist organization declarations". SSC prosecutors had many issues of leftist, Kurdish nationalist and pro PKK periodicals confiscated, and many journals were closed or suspended.

52. Despite the apparent proliferation of newspapers and radio/TV stations, the media sector is increasingly coming under the control and ownership of a few wealthy owners. An estimated 85% of periodicals are owned by two holding companies with wide ranging economic interests in many sectors of the economy (including having their own banks and soccer teams). Independent journalists often complain that the owners of these powerful media and publishing houses have a very hands-on approach towards what can be printed, and there is speculation about their links to political parties and the state establishment.

53. The Constitution provides for *freedom of assembly* and association, but this right is often restricted in practice. Authorities may deny permission for gatherings or demonstrations if they are judged likely to disturb public order. Associations must submit their charters for government approval, which is a lengthy process. About 13% of the civilian labor force is *unionized*, including most industrial and some public sector agricultural workers. There are four confederations of labor unions, three public employees unions and 27 independent ones. In order to become a bargaining agent, a union must represent 50% plus one of the workers at a given workplace, and at least 10% of all workers in that particular industry. This barrier favors established unions, especially Turk-Is, the confederation with about 73% of organized labor.

54. *Child labor* is widespread. An estimated 1 million children between 6 and 14 (about 6% of all children in the age bracket) and 2.5 million between 15 and 17 (about 60% of total) work, typically in small sized enterprises to provide their families with extra income. Most are boys. Girls are seldom seen working in public but may be prevented from attending school to produce handicrafts, especially in rural areas. The gradual elimination of child labor is a national priority. Turkey is a major destination and transit country for *trafficking in women and girls* for forced prostitution. Organized crime groups are often behind this traffic focused on persons from the FSU, Eastern Europe and the Balkans. There is almost no trafficking in Turkish women or girls.

3. Issues in Foreign Policy

55. History and geographical location make Turkish foreign affairs a dynamic and complex activity. Economic and political interests in the region extend to Europe and the Balkans, FSU including archrivals Russia and Armenia, Azerbaijan and the other Turkic nations to the east, and to Iran, Iraq, Syria and the Arab world to the south. Relations with USA and Israel are close.

3.1. The West: Europe, EU Accession, Sweden and the USA

56. *Europe:* Only 3% of Turkey's landmass falls within Europe, but Europe remains the ideal from where many of society's laws, norms and values are imported. EU accession is broadly supported, seen by the modernists as the ultimate confirmation of the Kemalist reforms. Moderate Islamists and minorities like the Kurds and Alevite support accession as they hope it will improve their situation. There are minority EU opposition groups both in the secular camp – arguing that EU is not interested in Turkey's joining and that EU's lecturing and finger-pointing weaken the state – and among the more radical Islamists seeking to steer Turkey away from its pro-Western course and pointing to poor treatment of Muslims in Bosnia and Palestine, and to the Iraq sanctions.

57. Economic links are strong and growing. Trade levels double roughly every five years. In 1980 trade with EU corresponded to less than 1/3 of total. In 1999 it amounted to US\$32 billion, i.e. more than half of all foreign trade. About 2/3 of foreign investment is from Europe. Most of the three million Turks living abroad are in Europe (of which about 25% Kurds), of which about 2 million in Germany which is the biggest trading partner taking about 20% of Turkish exports and providing 14% of the imports.

58. *EU Accession:* Turkey's dealings with the EU date back to the 1963 Ankara Agreement. In 1970 an additional protocol foresaw free movement of labor by 1986, reflecting Germany's need for labor to rebuild its post war economy. This was replaced by bilateral discussions with Germany in the 1980's on how to repatriate workers as demand for labor fell sharply. Following the 1980 Military coup, the inter state Association Council governing EU-Turkey relations was suspended until 1986. On April 14, 1987 Turgut Özal submitted an application to join the EU against the advice of the EU countries. A 1992 EU Protest Note on the treatment of the Kurds showed the EU parliament's concerns about human rights. In 1996 the Customs Union between Turkey and the EU became a reality. This was viewed as a major step forward, but also confirmed that Turkey had to stay in the EU waiting room unlike many Eastern European countries.



The Bosphorus in Istanbul

59. During the EU Summit in Helsinki in 1999, Turkey attained candidacy status to the union. This was the result of the new government's sensible economic policies and relative open attitude towards human rights. On the EU side, the new Prodi Commission proved more open towards Tur-

key than the preceding Santer Commission. Opponents to Turkey in the socialist group of the European Parliament retired in 1999, and the improved relations between Greece and Turkey impacted on the voting of the Greek delegation. In late 2000, the EU Commission published the Accession Partnership document, setting out the objectives and priorities for the accession process. Turkey published its 1,000-page National Program for the Adoption of the Acquis on March 19, 2001.

60. Before negotiations can start, Turkey is obliged to meet the conditions established for all accession countries by the European Council in Copenhagen in 1993 – the Copenhagen Criteria. The political conditions are met when “a stable institutional set-up in a country is in place to guarantee democracy, the rule of law, human rights and respect for and protection of minorities”. There are also economic criteria stating that a functional market economy must be in place, but this is judged to pose less of a problem for Turkey. A government study identified not less than 21 constitutional amendments, 52 comprehensive changes in law and 24 major changes in administrative practices needed to meet the criteria. A quick look at this long list confirms the enormity of the work ahead. Tasks include overhauling the penal code, the press code, associations and trade unions law, health and safety legislation, human rights laws, overhauling the judicial system, reform of the penal service, new civil code, abolition of the death penalty, and many other legal and administrative areas.

61. Discussions between EU and Turkey are still at the normative stage with considerable political work needed before lawyers and civil servants can dig into the more detailed and practical aspects. In moving ahead, it will be crucial to focus on eliminating coercion and constraint in politics and related activities. In southeastern Turkey, the Kurdish problem remains a major hurdle for accession. The restrictions and treatment facing those judged to be calling for secession go far beyond practices in the rest of Europe. Greater openness will be necessary including the lifting of restrictions on freedom of expression. The use of Kurdish (or any language) in broadcasting is one such area that would eliminate much of the criticism from pressure groups in Europe.

62. Two other issues with the EU remain. The first is *Cyprus*: In 1974 the Greek military junta in Athens staged a military coup on Cyprus against President Makarios. Turkey reacted sharply against the coup and invaded the northern part of the islands five days later. After a few days the junta fell in Greece, Makarios returned as President of Cyprus, but Turkey did not withdraw, leaving Cyprus divided. In 1983 the Turkish Cypriots proclaimed their own state, “TRNC”, which is recognized only by Turkey. The international community maintains official relations only with the Greek Cypriot “Republic of Cyprus” stressing that formally and according to the UN Cyprus is one state. Cyprus applied for EU-membership in 1990 and in 1998 negotiations for membership started. Progress towards EU membership is fast and negotiations may be completed as early as 2002.

63. The objective of the EU is that Cyprus will enter the EU as a united island. At the 1999 summit in Helsinki the EU stated that a solution of the Cyprus problem is not a pre-condition for EU-membership, but that the EU strongly supports the efforts by the UN to find a comprehensive solution to the issue before the accession. The problematic Cyprus issue is a crucial part of Turkey’s complex relations with Greece. Relations between the two countries have remained tense since Greece gained independence from the Ottomans in 1830. Territorial disputes over islands in the Aegean Sea remain an issue, but relations warmed somewhat in the aftermath of the Marmara earthquake in 1999 as Greek rescue teams worked side by side with their Turkish counterparts. Greece’s traditionally hard line against Turkey in the EU has softened. The mutual suspicion lingers on, but there is an increasing sense that the hostilities belong in the past and that relations will improve with time.

64. The second issue relates to Turkey’s role in the emerging *European Security and Defense Policy (ESDP)*. Turkey is requesting the right to participate in the ESDP decision-making process and has

not agreed to EU's assured access to NATO assets for crisis management. EU hopes to have a Rapid Reaction Force in place within a year, but finalization demands agreement with NATO.

65. *Sweden:* The first contacts between Swedes and Turks probably took place when the Swedish Vikings in the Byzantine army battled against the advancing Turkic tribes in Anatolia about 1000 years ago. Starting from the 1500's, both countries enjoyed good relations including military pacts (albeit of limited importance) as the northern Protestants joined forces with the Ottomans to limit Catholic and Russian influence in middle and Eastern Europe. The martial and political contacts gradually gave way to more cultural and commercial collaboration. Sweden established a permanent representation in Constantinople in 1734, partly to regulate the debts to Turkey incurred by the Swedish king Karl XII during his five-year stay in Turkey after his defeat at Poltava in 1709. The now General Consulate in Istanbul is housed in Palais de Suede, the oldest public building abroad owned by the Swedish Government since 1757.

66. Many Swedish companies were involved in Mustafa Kemal's modernization campaigns, and Turkey's economic liberalization in the 1980's provided a boost for trade between the countries. Turkey is an important market for many Swedish companies, while Sweden has provided residence and economic opportunities for about 40,000 Turkish immigrants (or about 100,000 if people with double citizenships are included). Swedish exports amount to about one billion USD annually while exports from Turkey to Sweden are about 20% of that figure. This statistic excludes the estimated 170,000 Swedish tourists who visit Turkey every year, but reflects Turkey's general trade pattern of importing large volumes from the richer countries while exporting to (and running trade surpluses with) many of the middle income and poorer countries. About 40% of Sweden's exports to Turkey are telecommunications equipment with a similar share labeled as other industrial goods. By size, Sweden is Turkey's 7th most important trading partner, while Turkey ranks as the 15th most important for Sweden. About 70 Swedish companies have subsidiary branches in Turkey and about 350 have representative offices.

67. *The USA:* Turkey enjoys a special and warm relationship with the USA. The foundation for this was laid after the Second World War when the US adopted Monroe doctrine gave Turkey special status to counterbalance Soviet expansionary intentions. Turkey – US collaboration later became very valuable for the US as part of its Middle East policies, from the Lebanon Crisis in 1958 to the Gulf War in 1990 and the ongoing conflict with Iraq. Military transfers dominated the foreign trade before the economic reforms of the 80's, and today the US maintains a large military presence in the country. The US have encouraged its European allies to adopt a more welcoming and open attitude to Turkey – advise that has not always been well received.

3.2. The South: Neighbors in the Middle East

68. Relations with *Iraq* and its Kurd dominated northern part are very complex. Many Turks still consider the oil-rich areas of Mosul and Kirkuk part of Turkey. The Turkish army has made several raids into northern Iraq in connection with its anti-PKK campaigns, and during the August 1990 Gulf War, President Özal proposed attacking northern Iraq. This did not happen, but 100,000 troops were stationed along the border. After the Iraqi troops withdrew from Kuwait, rebellions and government counter attacks in Iraq created a giant refugee problem and an estimated 500,000 mainly Kurdish refugees arrived to the Turkish border in the snowy and cold mountains in early 1991. Turkey refused to let them in seeking to avoid a refugee problem and out of fear of encouraging an independent Kurdistan. Many Turkish Kurds provided assistance to the refugees, but conditions along the border were horrible and monitored by media. Soon, the security zone in Iraq was set up

with US, UK and Turkish support, and the refugees returned home. The elections held in the still semi-autonomous Kurdish Iraq in 1992 were watched with mixed feelings from Ankara as were the many “Welcome to Kurdistan” signs along the Turkish-Iraqi border. An estimated 5000 trucks per day used to cross the Turkey – Iraq border before 1990. The Gulf War and the subsequent isolation of Turkey’s once largest trading partner have had a major negative impact on the economy of eastern Turkey.



Minaret in Mardin with a view of the Syrian border

69. Relations with *Syria*, and to some extent Iraq, have focused on Turkey’s growing determination to exploit and control the region’s water resources. Under the ambitious 22 dam and \$32 billion GAP South East Anatolian Project, Turkey plans to increase electricity production by 70% and double the crops of cotton, pistachio and wheat as the project is completed later in the 21st century. A 1987 memorandum of understanding allocated 500 cubic meters per second, i.e. half of the Euphrates flow, to Syria. In turn, Syria has often used its support to the Kurds and PKK to play for a stronger position in the water discussions.

70. Turkey has a special relationship with *Israel* which it recognized 1950. The Turkish establishment in many ways shares a common cause with Israel. Policies were more mixed in the 1970’s and 80s, when Iraq was the biggest partner and Iran almost as big. Relations again warmed in 1993 when the peace talks started. Since 1996 the two countries enjoy military cooperation in many spheres, including pilots training in both countries. The 22,000 strong Jewish minority, mainly in Istanbul, is in good standing, partly because they never made any territorial claims (unlike the Armenians and Greeks). There are about 300,000 tourists from Israel visiting Turkey each year. Turkey also competes, so far with limited success, with Israel to be the main partner for US cooperation and funding in the region.

71. Relations with Iran are stable, and the border has been unchanged for about 400 years. Reza Shah of Iran and Mustafa Kemal shared an autocratic government style. The 1979 Islamic revolution in Iran was seen as a big threat to Turkey’s secular ways. In the 1990’s the two countries became rivals seeking influence in Caucasus and Central Asia. About 15% of Iran’s population is Azeri with a language similar to Turkish.

3.3. The North and the East – Former Soviet Union and Turkestan.

72. Turkey quickly recognized independent *Armenia* in 1991, but was unable to overcome old hostilities and disputes. Issues included continued Yerevan territorial claims, Turkey’s losing some 30 diplomats to Armenian assassins in the 70’s and 80’s, and the continued anti-Turkish position among the Armenian diaspora in Europe and the USA. The main issue, however, remains the alleged Armenian Genocide of 1915. Armenia was then part of the Ottoman Empire, but Armenian militia was siding with Russia during the First World War, operating from behind its border and receiving deserting Armenian Ottoman soldiers. Armenian militia captured the city of Van in eastern Turkey on April 24, 1915 – considered the anniversary of what is termed the genocide – and the Ottomans ordered the arrest and deportation of the Armenian leaders. The dispute centers around what happened during this operation with estimates of the numbers killed ranging from 300,000 to 1.5 million, and at the core of the issue is whether a genocide was actually ordered by the Ottomans or not. France passed a law during 2000 saying that this was indeed genocide, and Ankara called home its ambassador. He returned after six months in May of 2001. President Clinton stopped a similar bill in USA on regional security grounds.

73. After the collapse of the Soviet Union, Turkey re-discovered the links to their Turkic cousins in Azerbaijan, Kazakhstan, Uzbekistan and Turkmenistan, sometimes referred to as *Turkestan*. Here, Turkey was admired and seen as a model for democracy and market economy, and as a guide to international affairs and organizations. In the early 90's Turkestan unity had firm international support. The EU, USA and even Russia saw this as a way to counteract Iran's possible objective to foster an Islamic fundamentalist central Asia. The situation changed after 1993 as Russia successfully reasserted its interests in the Caspian and Central Asia region.

74. Nevertheless, economic relations between Turkey and its Turkic cousins have grown strong. A largely unknown and undocumented network of trading companies, bakeries, restaurants, etc, is now in place. In the poorest and most remote capital, Bishkek, 4,000 km from Istanbul, 400 Turks were reported active in business 1996. In the same year, 30 Turkish schools had been established in the Caucasus and Central Asia, many of them private and teaching English, and many sponsored by Islamic Brotherhoods in Turkey. On April 27, 2001 the 7th Turkic-speaking Countries Summit ended in Istanbul attended by four presidents and a speaker of parliament. Discussions included the proposed Baku-Çeyhan pipeline (an investment supported by Turkey but hard to mobilize funding for), a trans-Caspian gas pipeline for Turkey and Europe, the Nagorno-Karabakh dispute, battles against organized crime and terrorism and cultural cooperation among civil organizations.

4. The Economy

75. Turkey has a robust and well-diversified, and at times not so well managed, economy. With average GDP per capita at about US\$3,000 per year, Turkey is one of the more affluent members of the middle-income nations. Long-term growth has been a respectable average 4% p.a. since 1965. The vibrancy and energy among the grassroots of the Turkish economy is easily visible, particularly in the urban areas where vast numbers of small workshops, shopkeepers and other providers of goods and services work hard, compete fiercely and quickly adjust to changing demands and circumstances.

76. The economy has proved to be very resilient and able to recover quickly from the frequent shocks and swings in the business cycle. Turkey's economic potential was demonstrated in the 1980's as the sweeping reforms liberalizing trade and finance pushed annual growth rates up to 5% during the decade. Imports went from 6% of GDP in 1979 to 27% in 1999. Agriculture as a share of GDP fell from 28% to 16% during the last 20 years compensated for by an equal increase in services and, to a lesser extent, industry.

77. Despite reasonable performance, problems in economic policy prevent the economy to reach its potential and imitate the growth rates of some of the East Asian economies at similar income levels. Following a discussion on the recent financial crisis, a section on actions to build a stronger economy follows below.

4.1. Recent Economic Developments

78. In the spring of 2001, the owner of a small flower shop in Ankara became a national celebrity as TV cameras captured him hurling an empty cash registrar at the surprised Prime Minister Bülent Ecevit. The financial crisis that prompted this incident marked the hard landing for the three-party coalition government following two rather successful years. After it took office a three-pronged program was designed, including actions to bring the public finances under control, implement a number of structural reforms in key sectors of the economy, and a combination of a fixed exchange rate regime and restrictive income policies to fight inflation.

79. The program met with initial success. The IMF supported the program with a \$4 billion credit in December 1999, i.e. the same month as Turkey was granted EU candidacy status. During 2000 GDP grew by 7%, annual inflation came down to about 35% – a 15 year low – and interest rates came down sharply. The budget deficit shrunk, and there was progress made in key sectors such as pension reform, reduced agriculture subsidies and privatization. An independent banking authority was put in place and new legislation for telecommunication was passed.

80. Worrying signs appeared during the fall of 2000. The lower interest rates fueled an unexpected credit expansion and demand boom. Continued higher-than-international inflation combined with the only slowly changing exchange rate made imports cheap, and the current account deficit soared. Many banks took loans nominated in foreign currency and, assuming that the exchange rate would stay stable, invested the Lira equivalent in State Treasury Bonds with higher interest rates than abroad. Government attempted to offset the increased demand with tighter fiscal policies, but the many remaining structural weaknesses undermined this effort. A sudden increase in the demand for foreign currency in November 2000 was caused by many banks repaying foreign loans, and led to

steep interest increases and further fears of devaluation. An IMF rescue package of US\$7.5 billion provided only temporary relief.

81. The crisis was finally prompted on February 19, 2001, when President Sezer accused the Prime Minister of not pursuing corruption investigations involving highly placed politicians vigorously enough during one of the monthly NSC meetings. The markets reacted quickly as the Istanbul Stock Exchange index fell sharply and a run on the lira followed. Government was forced to abandon the fixed exchange rate, one of the cornerstones in the economic program, and two months after the unfortunate NSC meeting, a US\$ had become 70% more expensive in local currency terms. Interest rates shot up to well above the 1999 levels at about 150%, and inflation was gaining momentum, fueled by increasing import prices and demands for compensations from farmers, civil servants and other groups.



82. The Government on March 2, 2001 appointed Kemal Dervis, a former World Bank Vice-President, Economics Minister. His hard work to clean up the economy has been well received by the public and by the IMF/World Bank who announced extra allocations of US\$10–12 billion in May. Dervis worked for Ecevit in the 1970's but has not joined any of the political parties, and the Motherland and National Front coalition partners sometimes criticize his tough measures. One of Dervis' ancestors was put in charge of cleaning up the finances of the Ottoman Empire, failed, was beheaded and had his head preserved in a jar of honey. Many observers hope Dervis will escape similar fates and instead become a dominant political force in the future.

4.2. Agenda for Building a Stronger Economy

83. Turkey's economic performance is respectable, but economic policy problems have prevented growth-rates to reach the 6–8% of the top-performing middle-income countries in East Asia, and also contributed to the frequent financial crises as seen in 1994, 1999 and 2001. At the heart of the problem is Turkey's continued fiscal deficits and public sector borrowing which has kept inflation high (on average 76% p.a. during the 90's). This has caused as much as one third of investment in Turkey to go to relatively unproductive residential construction to hedge against inflation.

84. The annual government fiscal deficit has, on average, been 10% of GDP during the 1990's with revenues at about 20% of GDP and expenditures at 30%. Borrowing has covered most of the deficit. In addition, non-cash debt has been used to square the balance sheets of state enterprises and for the state banks. Public debt is now approaching 80% of GDP, but pre-crisis calculations by the World Bank suggested that a rather modest improvement in the primary fiscal balance (public sector balance excluding interest payments) would be sufficient to stabilize the public debt level.

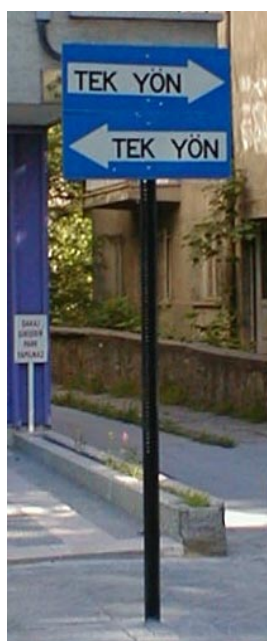
85. Better fiscal management and a permanent reduction of the deficit can only succeed if the underlying causes are addressed. Ultimately, it is the costly distortions and un-economic practices in many sectors of the economy that place a constant drain on the public purse. Actions to be taken include replacing political bodies with independent boards, privatization of many state assets and promotion of competition and private investment. Below follows a summary of what this would mean for some of the key sectors of the economy:

86. *Agriculture:* Total transfers to this sector amount to about 6% of GDP (compared to 1.3% for all OECD countries) and includes input and credit subsidies and support prices for crops. State owned

enterprises and state controlled cooperatives do processing and marketing. Consumers bear about 2/3 of the transfer through higher prices – hitting low-income households hard as they spend a larger share of income on food – and the taxpayers provide the rest. A reform program is underway whereby a direct income-support system for farmers would replace today's system.

87. *Banking.* Consolidation for Turkey's some 70 banks is likely to follow when inflation and interest rates go down. Stronger sector supervision is needed to ensure compliance with rules on capital adequacy and other rules. Turkey's four state banks account for 40% of all bank assets and suffer from problems with losses and overstaffing. Two of them, Halk and Ziraat, have essentially functioned as extensions of the government budget. Losses for those two alone was estimated at about 12% of GDP in late 2000. The intentions are to ultimately privatize all four.

88. *Infrastructure.* State monopolies still dominate the energy and telecommunications sectors. Turkey has carried out many build-operate-transfer projects using government guarantees aiming to increase private funding and participation. The legal and regulatory aspects proved inadequate and policies to foster competition were not used, and government's liabilities for these projects are now growing (possibly reaching US\$1.5 billion by 2010). Private investors remain reluctant to enter the sector without government guarantees. Government aims at establishing independent regulatory bodies and markets for competing suppliers. A law privatizing Turk Telecom was passed (despite fierce criticism from Ministry of Communications and its National Action Party minister) in May 2001. Plans have been underway for long to sell Turkish Airlines, but previous discussions with Swissair did not yield any results. No alternative buyer has been identified.



Which way to go?

89. *Social security.* A major effort to reduce the deficit in this sector was made in 1999 as the retirement age was raised and the minimum contribution period increased. The longer run objectives are to reform the pay-as-you-go scheme and complement it with various forms of individual contributions.

90. Will Turkey chose the road of reforms, transform its economy and remove the many structural weaknesses? Fighting the large vested interests will be difficult, but a good mix of actions is already underway including establishment of independent boards for key sectors (banking, telecom), privatization is under way or planned for the banks and many other state enterprises. Also, government is working on replacing the current public procurement law, which leaves a lot of room for negotiations at all stages of the bidding process, with a set of firm, transparent rules.

4.3. Social Issues

91. Turkey ranks as the world's 17th most industrialized nation, but is only ranked 82nd out of 167 in the 2001 UNDP human development report, lagging behind most countries with similar income levels on most social indicators. Overall spending on the social sectors is also lower than elsewhere. With secondary school enrolment at 51%, Turkey is not educating its people as well as many other middle-income countries.

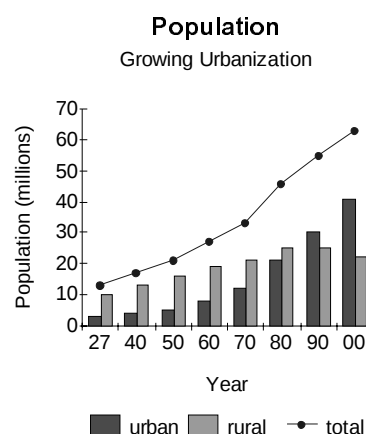
Selected Social Indicators, World Health Report 1999				
Indicator	Turkey	Colombia	Hungary	EU
Life expectancy, years	69.5	70.0	71	77.4
Infant mortality rate per 1,000 births	38	30	10	6.1
Maternal mortality, per 100,000 births	180	100	30	n.a.
Adult literacy rate, %	84	91	99	100
Female literacy rate, %	75	91	99	100
GNP per capita, US\$	2,900	2,600	4,510	n.a.

92. Only about 2.5% of the population live below the standard one-dollar-a-day poverty measurement, implying *that absolute poverty is rather low* in Turkey. About 7% are judged to not be able to afford a minimum food basket, while about one third is judged to be economically vulnerable, i.e. not able to afford a basic needs basket. Turkey has a more *uneven income distribution* than in other countries with similar GDP levels. The income distribution before tax/transfers is about the same as elsewhere, but Turkey does not have a re-distributive tax and transfer system that evens out the incomes in other countries. The social protection system is extensive, but faces several problems and is not targeted towards protecting the poorest. The home-village and extended family remains the real safety net for most Turks. *Regional differences are significant and growing*. The richer provinces, including western Turkey around Marmara and the Mediterranean and Aegean port cities, converge, but provinces that were poor 25 years ago are still poor and further behind today.

93. The *rural to city migration* is probably the most significant force affecting people's lives in Turkey. The traditional rural patriarchal headed extended family is being replaced by salaried nuclear families. In 1994 47% of the economically active population was salaried (and 74% in Istanbul), and 75% of families in urban areas were nuclear. There remains, however, a lot of mutual support between geographically separated households and help from relatives.

94. Most rural migrants start out staying with friends and relatives and then take advantage of a law stating that a dwelling built on public land cannot be torn down if it has four walls and a roof before the break of day. About 35% of the urban population lived in these "gecekondu" (meaning placed over-night) in 1995 with a higher percentage in the larger cities. Social interaction is mainly in the "hemseri" (co-villagers) often including tens of households, some of close kin, from where friends, business and marriage partners for the children are chosen. Cooperation extends to transport, sharing of tools, etc, and it also serves the purpose of social control as neighbors watch the women and children. The coffeehouse is the social gathering place for the men. The school brings together children and families of different backgrounds. Everybody is expected to participate in the building of a mosque, which is an important social center, especially on the communal Friday for the Sunni majority.

95. A "mahalle" is often composed of hundreds of households and is a vehicle to exercise political pressure to gather ownership rights of land and housing and to bring municipal services to the neighborhood. An elected "muthlar", or headman exercises leadership. He typically comes from the older, well-to-do and respected families.



4.3.1. Health, Environment and Gender Issues

96. *Health:* Utilization of health services in Turkey is relatively low. Average annual doctor consultations were 3.5 per capita in 1995 compared to 5.5 in all of OECD. Hospital admissions per 10,000 population were less than 700 compared to the OECD average of 1,639. Urban residents, the share of the population enjoying medical insurance and women use the health system more than other groups. Inadequate funding and poor management have led to a run-down public provider system with long waiting times and lack of drugs and qualified staff. Total health care expenditure amount to about 3 to 4 per cent of GDP. This is the lowest of any OECD country where the average is 7.5 per cent. Large parts of the public funds are spent on less cost-effective interventions while effective and crucial sectors remain under-funded, in particular preventive care and maternal and child health which receive about 12 percent and 2 percent of the total Ministry of Health budget respectively. Unlike the education sector, where government and donor cooperation work well and progress has been made, the health sector remains a poor performer hardly equipped to combat the premature mortality and disability rates, or to respond to changing disease patterns.

97. Proposed reforms in the health sector include providing better incentives for health workers to provide services in areas where they are most needed, and for hospitals and other health facilities to make better use of available resources. Front-line family physicians should be in place as initial care providers so that access to costlier specialized care can be reduced. More emphasis should be put on vaccinations and control of communicable diseases, and on promoting life style changes such as smoking, accidents and other damaging behavior. The World Bank is together with the UN about to launch a Health Sector Review scheduled for completion in early 2002.

98. *Environment:* A National Environmental Action Plan was prepared in the late 1998's together with the donor community, and provides a comprehensive list of environmental issues and proposed actions. There is, however, little institutional capacity to deal with the issues, and efforts to launch environmental management programs have been infrequent and fragmented. It is hoped that EU accession discussions will revive the interest in putting European environmental standards in place. Key environmental issues include: (i) high levels of pollution and deteriorating air quality and generation of waste in the rapidly growing urban areas, (ii) overuse of fertilizer and other environmentally damaging inputs through the use of input subsidies, (iii) deforestation in large parts of the country, and (iv) water and sewerage management issues related to the scarce water resources, particularly in the heavily populated coastal regions.

99. The Marmara earthquake killed an estimated 17,000 people in August 1999 reminding all of Turkey's exposure to seismic risk. The country is also subject to occasional flooding. Natural disasters cause loss of human life but also impose environmental and other costs. Efforts are under way to improve the preparedness for disasters by minimizing both the risk of them occurring and their impact if and when they do occur. Better institutions and mechanisms for insurance, construction standards and building codes and for other aspects of disaster response are being put in place, some with international assistance.

100. *Gender:* Legislation put in place when the Republic was founded provides equality for women, but this does not reflect the norms of the still rather conservative Turkish society. Nevertheless, urbanization, education and better communication continue to improve the situation for women, and the Kemalist establishment supports this process. The percentage of female professionals in areas of law and finance and in senior government positions is higher than in many western countries. 40% of university students and about one third of professionals such as doctors and lawyers are women. Women belonging to families of the Turkish elite in big cities live as they chose and have lifestyles

similar to their western sisters. But even professional women retain their traditional roles in marriages and at home, and education still emphasizes the man's role as head of the household.

101. In the rural areas, old and often gruesome traditions remain. Anatolian girls are often married off at young age through arranged marriages with men they may never have met. A survey claimed that 41% percent of women have been subjected to domestic violence. Women have few ways out of a marriage gone sour. Living alone is socially not acceptable and a wife's own parents cannot take her back. Crimes of honor are unusual but do occur when women are perceived as having sinned, ranging from leaving the husband for another man to simply talking to another man, and newspapers report of fathers and brothers punishing or killing young women to defend the families' honor. Other stories talk about women who after years of oppression snap and kill their husbands.

102. Women often play a major role in the urban migratory process, where escaping the heavy toil of village life is an important aspect. Many women also migrate for marriage. In the city, women's relations are often restricted to a small group of relatives or close neighbors leading to intimacy and solidarity but also domination and isolation. Older women play an important role in maintaining social control and preserving the honor of the family, which rests on chastity and modesty of women and young girls. Workforce participation among women is as low as 16% (1997). Women who work often prefer the public sector, which provides social security even if incomes are low. Many women are also active in the Islamic groups and in the fundamentalist Virtue party. It is hard to assess whether this is motivated by the cause or by the fact that work there is socially acceptable and at times the only allowed employment option.

104. Attitudes to women vary among groups. The Sunni emphasize traditional gender roles, and Sunni Kurds have larger families, less registration of marriages and higher incidence of violence against women. The Alevi educate their women extensively and do not restrict females' access to employment (often in the public sector). The State ministry responsible for women affairs and many NGOs work to increase women's participation in public life. Centers and networks to disseminate knowledge, skills and information are in place as are community centers for battered women.

105. Education is the single most important determinant of women's status in Turkey as it brings increased power within the family, knowledge and experience of the wider society, recognition of own rights and better employment prospects. A recent reform extending mandatory schooling from five to eight years is targeted largely at girls. This and other education programs often receive firm support from the armed forces and other parts of the secular establishment as they seek to diminish the influence of the religious schools. Girl's participation in elementary school is 47% with lower levels in the east. Regional differences at middle level education are striking. Compared to a national average of 37%, only 15–19% of girls attend middle level education in some eastern provinces. The drop out rate for girls at secondary level is higher (22%) than for boys, and at 28% the female illiteracy rate is high.

5. Donor Community and NGO Activities

5.1. The Donor Community

106. *The International Monetary Fund* program is closely tailored to support the ongoing reform work in the aftermath of the financial crisis. After a series of Fund supported programs, the current government obtained a US\$4 billion credit in December 1999. This was followed by another US\$7.5 in December of 2000, and of assurances of another US\$10 billion in May of 2001.

107. The *World Bank* in early 2001 had completed and closed 119 loans. The active portfolio included 23 projects with a total loan amount of about \$4 billion. The bank is now taking stock of its future plans following the February 2001 financial crisis. Plans are underway for adjustment lending in the areas of macro/fiscal management and the banking/financial sector. Another 3–5 investment lending operations per year are under preparation. Total annual lending before the crisis was estimated at US\$1.5 billion and is now being reassessed.



Street Vendor in Eastern Turkey

108. *European Union* assistance to Turkey started in 1964, was suspended after the 1980 coup and partly resumed in 1987. About Euro 375 million was committed between 1996 and 1999 for projects in several sectors but could not be channeled through central government agencies. Very little was spent (through NGOs, etc, in areas such as cultural heritage, media support and NGO support) but a recent decision now allows Government agencies to participate, and procurement of many big contracts is now underway. In addition there will be about Euro 180 million of new funds per year committed until 2006. New projects must be accession oriented, mainly in the areas of agriculture, transport, justice and internal affairs, the environment and regional policy. In addition, specific actions are foreseen for aid to Turkey in accordance with the Copenhagen political criteria, for example, training in matters of human rights, improved working of the judiciary system and strengthening of

the role of the civil society. Plans are underway to establish a central coordinating unit for procurement of all EU funded contracts.

109. *The European Investment Bank* is active in providing loans for various infrastructure and environmental projects. Lending in 2000 peaked at Euro 575 and included support for the relief work for the Marmara 1999 earthquakes. Lending in previous years has ranged between Euro 100 to 300.

110. *German bilateral assistance* started about 40 years ago, and has financed a large number of activities in total amounting to about DM 8.5 billion with a considerable concessional content. Activities funded have included infrastructure projects but also cross cutting advisory services. The current program focuses on the less developed areas of Turkey, i.e. the southeast, and on environmentally sound investments and management in water and waste water/sewerage. A total of DM 115 million was spent during 2000 of which DM 40 million was on grant terms.

111. *The United Nations* has been active in Turkey for over 30 years. Of the UN agencies UNICEF and UNDP are the most active. For the next five-year period, the UN family is likely to set aside about US\$10 million. These funds would be augmented by contributions from Government and third parties. The UNICEF program focuses on the welfare of children, and the UNDP program spans three broad areas, i.e. “Reduction in Disparities”, “Governance and Decentralization” and some crosscutting issues including the National Human Development Reports and other information and communications technology.

5.2. NGOs

112. Turkey has a broad array of NGO type organizations, varying considerably in form and content. Many of the NGOs are part of the some 60,000 Turkish foundations, called “vakif” in Turkish. Their history date back to Ottoman times when the Sultan, considered the owner of all land and other resources, would grant a group the right to form a vakif to manage certain resources on his behalf. A wide range of welfare-oriented activities formed a key component of the social order. All vakif were put under government control as the Republic was founded at a time when they provided employment for 15% of the population. Attempts to secularize their activities have been partly successful, but many Islam oriented vakif remain active. Just as there are many NGOs that are not vakif, many vakif are not NGOs. Some vakif are set up to obtain tax exemption, many richer individuals and families use this legal framework to pay less tax while either transferring property to their children, or for pursuing activities of their choice rather than paying tax.

113. Most NGOs are highly localized. Statistics for the vakif suggest that two thirds have only one office. 75% operate on the three biggest cities and 65 % of them were founded during the last 20 years. The average number of employees is 17 and the number of volunteers is 92. About half have less than 100 members and only 3% have more than 5,000 members. Their main funding source is donations and fees. About 25% of them deal with vocational issues (including professional organizations and trade unions), and 20% with “Friendship and Solidarity”. Other areas include health, education, environment and culture. New NGOs are formed every day, a trend caused by continued urbanization, the emerging middle-class, greater interest in ethnic and religious identity, and the growing interest in art and culture outside the state supported sector.

5.3. What can Bilateral Assistance do?

114. *Focus on ideas and innovation rather than on funding needs.* Turkey is a big economy with GDP at about US\$180 billion and public sector expenditures at about US\$55 billion per year. Some of the major development agencies provide significant additional amounts. This suggests that funding as such is not the key issue. If there is determination from the Turkish side to pursue a particular activity, the money to do so can be found. Limited bilateral funds should instead be used for focused, innovative and limited interventions that would otherwise not take place. The emphasis would probably be on technical assistance rather than on investments or goods.

115. *Link activities to comprehensive issues.* It would be reasonable to select activities that have at least some connection to the main issues facing Turkish society. This report has identified the low credibility of the political system and parts of government, the treatment of ethnic and religious issues and minorities, and human rights issues in general as such issues. An other such broad issue would be the skewed income distribution and the low access and poor standards of basic social services. Promoting EU accession could be an additional objective and would probably serve not as an end in itself, but as a useful “carrot” for addressing one or several of the fundamental issues.

116. *Donors to do what they are good at.* No matter what criteria you establish to select activities, there will still be a lot of useful things bilaterals could do in the culturally rich and multi-dimensional Turkish society. An additional selection criterion may therefore be to examine the resource base at home and finance activities where there is expertise and experience. Once implementation is about to begin, it will make sense to work with local expertise, perhaps in the many NGOs.

Statistical Information Sheet

Key data	Turkey	Eastern Europe and Central Asia	
Population 1999, millions	64.3	475	
GNP per capita, US\$	2,900	2,150	
Annual population growth 93-99	1.5%	0.1%	
Annual labor force growth 93-99	2.6%	0.6%	
Urban population. % of total, 1999	74%	67%	
Illiteracy, % of population over 15	15%	3%	
Life expectancy, years	69	69	
Infant mortality, per 1,000 live births	38	22	
Period	1980-89	1990-1999	
GDP annual average growth rate	5%	4%	
Turkey/Year	1979	1989	1999
GDP, US\$ billion	92	107	186
Investment, % of GDP	14%	24%	24%
Exports, % of GDP	3%	16%	24%
Imports, % of GDP	6%	18%	27%
Current account balance, % of GDP	-1.5%	0.9%	1.0%
% of GDP, Agriculture	28%	17%	16%
Industry	24%	33%	24%
Services	48%	50%	60%
Inflation rate	n.a.	63%	64%
Government finance deficit, % of GDP	n.a.	5%	24%
Net resource flows, US\$ billion			
Official grants	0.05	0.10	0.04
Official credits	0.96	-0.56	-0.01
Private credits	3.07	1.63	2.72
Foreign direct investment	0.00	0.06	0.02
Foreign Trade	2000		
Source of Imports:			
EU	49%		
Germany	13%		
Italy	8%		
USA	7%		
France	7%		
Russia	7%		
United Kingdom	5%		
Exports to:			
EU	52%		
Germany	19%		
USA	11%		
United Kingdom	7%		
Italy	6%		
France	6%		
Russia	2%		

References

There is a lot of information available about Turkey, and a visit to any library or to the web will likely satisfy any reasonable information demands. Below is a list of some of the materials used for the preparation of this country review.

A. History and Politics

Nicole and Hugh Pope, “Turkey Unveiled – A History of Modern Turkey”, New York 1998. This is, according to the Times Literary Supplement one of the best accounts of Turkey’s recent history up until 1996.

Turkish Ministry of Interior, “Local Authorities in Turkey”, Ankara 1999

www.tesev.org.tr, the TESEV think-tank web site with information about politics, corruption, EU accession and many other aspects of Turkish society

B. Human Rights

Human Rights Foundation of Turkey, Treatment and Rehabilitation Centers Report 1999

www.state.gov, the web site of the USA State Department includes an annual report on human rights practices in Turkey and other countries

C. Economics and Social Data

www.dpt.gov.tr, the web link to the Turkish State Planning Organization with some information in English

www.die.gov.tr, the web link to the Turkish Department of Statistics with some information in English

The World Bank, “Turkey Country Economic Memorandum – Structural Reforms for Sustainable Growth”, Washington DC, September 2000

The World Bank, “Country Assistance Strategy of the World Bank Group for the Republic of Turkey”, Washington DC, November 2000

www.worldbank.org and www.undp.org both have links to their respective country offices home pages in Turkey



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