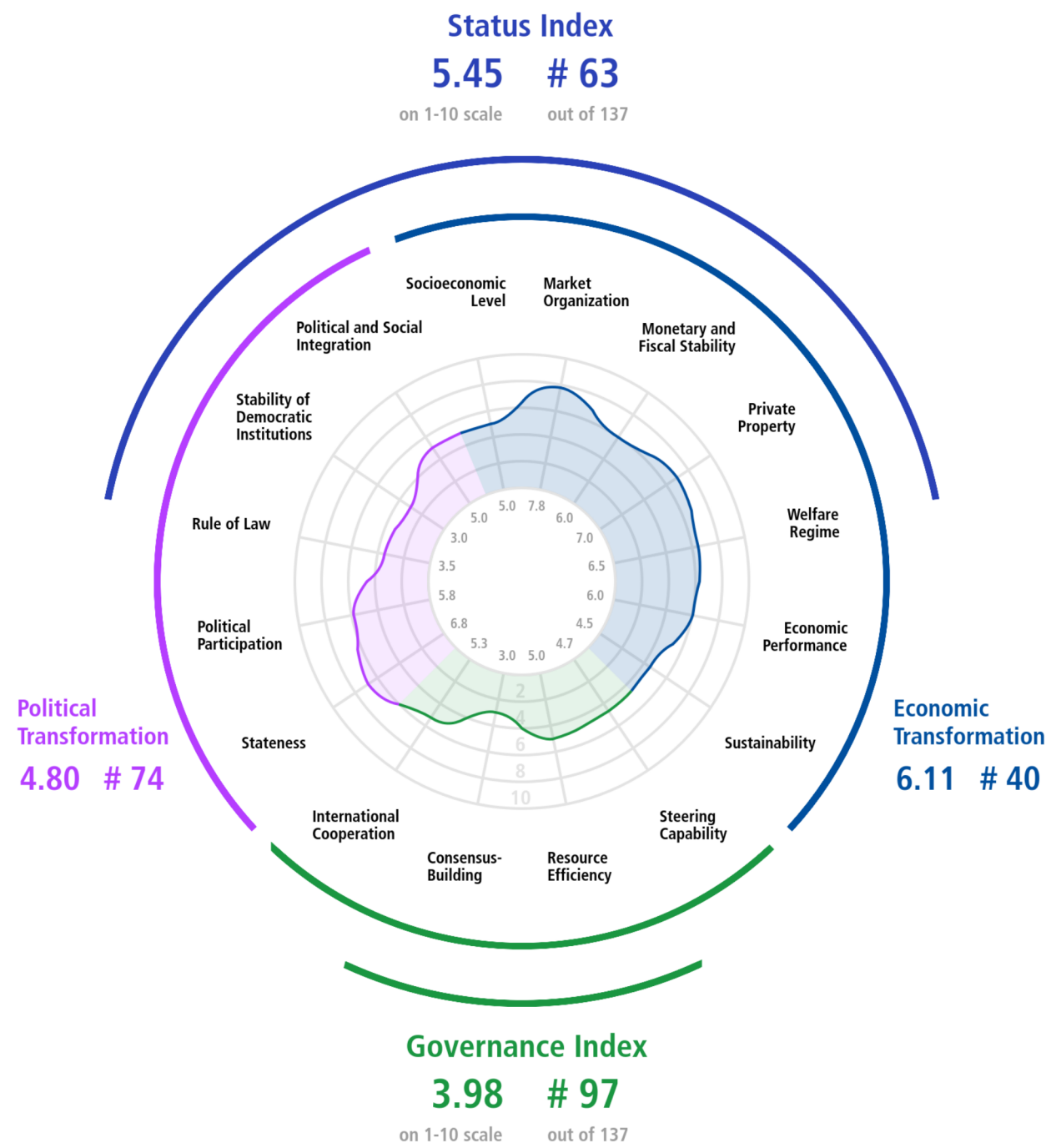


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Key Indicators

Population	M	84.3	HDI	0.820	GDP p.c., PPP \$	28119
Pop. growth ¹	% p.a.	1.1	HDI rank of 189	54	Gini Index	41.9
Life expectancy	years	77.7	UN Education Index	0.731	Poverty ³	2.2
Urban population	%	76.1	Gender inequality ²	0.306	Aid per capita \$	9.9

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

On the doorstep of its 100th anniversary in 2023, the Republic of Turkey faces three major problems: the consolidation of authoritarianism, economic vulnerability and an increasingly conflictual foreign policy.

The review period saw profound changes in Turkish domestic and foreign policymaking. In domestic politics, authoritarian trends in the “New Turkey” have been consolidated. After the lifting of the post-coup state of emergency in July 2018, several legal provisions that restricted fundamental rights and granted extraordinary powers to the executive were integrated into law. The rule of law has further deteriorated. The implementation of the amended constitution and the propagation of a presidential system have largely undermined fundamental aspects of a democratic system.

The establishment of two parties, DEVA (“Remedy”) and the Future Party (GP), led by two former high-ranking AKP (Justice and Development Party) politicians, Ali Babacan and Ahmet Davutoğlu, is a sign of growing dissatisfaction within the ruling party. In the absence of checks and balances, elections are the only way to hold the executive to account. However, the fairness and competitiveness of elections is increasingly questioned. Despite an unfair playing field in the local elections on March 31, 2019, opposition candidates won key municipalities, including in the re-run of the metropolitan mayoral election in Istanbul in June 2019.

Nationalism is on the rise in Turkey. This nationalist discourse is embraced not only by the ruling elite – namely the People’s Alliance, which comprises the AKP and its coalition partner, the Nationalist Movement Party (MHP) – but also by opposition parties. The polarization of Turkey into two opposing camps has continued unabatedly. President Recep Tayyip Erdoğan has pursued a non-inclusive line of governance embedded in a majoritarian understanding of democracy. The Islamization of the country by the ruling coalition has continued. Erdoğan’s decision to convert Istanbul’s Hagia Sophia into a mosque and the increasing influence of Diyanet (Directorate of Religious Affairs) in Turkish politics attest to this.

These domestic trends in turn have influenced Turkey's foreign policy. First, Turkey is more inclined to take unilateral action in the region, as exemplified by its drilling activities in the eastern Mediterranean, and military operations in northern Syria and in Libya. These operations, launched in complete disregard for its partners, have increased tensions between Turkey, and its allies in NATO and the European Union. Second, Turkey started to use a more assertive foreign policy balancing strategy to further its interests and consolidate executive power. Flexible alignments guided by short-term interests and pragmatism have made the country an unpredictable and unreliable actor in international relations. Third, Turkey increasingly opts for the use of force, instead of diplomacy, to resolve international issues. Fourth, foreign policymaking has become less institutionalized, with the president's palace monopolizing foreign policy decision-making. This has not only blurred the boundaries between external and domestic politics but has also rendered Turkish foreign policy incoherent and inconsistent.

The coronavirus pandemic has aggravated these structural problems and imbalances in the Turkish economy. Although the government's initial response to the pandemic was appropriate in order to cushion the economic impact of the pandemic, institutional weaknesses have constrained these measures. The erosion of the rule of law and the lack of independence of economic administration continue to negatively affect Turkey's economy.

History and Characteristics of Transformation

The 1923 proclamation of the Republic of Turkey by Mustafa Kemal Atatürk triggered a comprehensive restructuring of the former Ottoman society, amalgamating Western and pre-Islamic cultures to create a new "Turkish nation." Based on his many successful modernizing reforms, the period after Atatürk's death in 1938 was marked by the introduction of multiparty democracy in 1946 and an initial period of economic growth under the leadership of İsmet İnönü, before a period of political repression and economic deterioration returned, accompanied by military coups in 1960, 1971 and 1980.

As the army assumed power between 1980 and 1983, all political parties were dissolved, and new parties could only form after being screened by the military. Following this period of military rule, the next civilian government under Turgut Özal promoted an acceleration in economic growth and a reduction of the chronic foreign currency deficit. However, these policies also led to serious budget deficits, which resulted in two severe economic crises in 1994 and 2001.

Cooperation with the IMF and World Bank since 2002 has led to a significant number of reforms. These reforms managed to stabilize the economy and enhance the functionality of the Turkish state under civilian leadership. Declared an "accession candidate" in 1999, Turkey eventually began accession negotiations with the European Union in October 2005. Through subsequent (mainly EU-induced) reforms, the Turkish military was brought under civilian control and a series of political alterations initiated, such as the banning of the death penalty in

2004. This reform process was led by Recep Tayyip Erdoğan, who founded the AKP in 2001 and was elected prime minister in 2003. With his successful blending of Islamic values and economic reforms, he won the support of the growing middle class of entrepreneurs in central Turkey, the “Anatolian tigers.” Turkey under AKP leadership was seen as a “model” for many Middle Eastern countries after the outbreak of the Arab Spring in 2011.

However, since 2011, a combination of international and domestic factors has resulted in the reversal of the reform process in Turkey. Erdoğan has become increasingly authoritarian. In August 2014, after a change to the electoral law, Erdoğan became Turkey’s first directly elected president, transforming this formerly mere representative office into the country’s real seat of power.

The coup attempt in July 2016, allegedly masterminded by the Gülen movement, provoked an acceleration of Turkey’s autocratization process, leading to an unprecedented crackdown on regime critics and a massive purge of tens of thousands of public employees, including police staff, school teachers and university professors. A controversial referendum in April 2017, which confirmed Erdoğan’s constitutional changes and the establishment of a presidential republic, eventually ended Turkey’s long tradition of parliamentary democracy. Following the June 2018 elections, Erdoğan has been elected as the first executive president of Turkey under the new presidential system. Since then, under the guise of a “powerful executive system,” authoritarian trends have been consolidated in the “New Turkey.”

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

Transformation Status

I. Political Transformation

1 | Stateness

The state has a monopoly on the use of force over the entire territory of the country. The Kurdistan Workers' Party (PKK) and the Gülen movement are considered to be the greatest security threats.

Military clashes continued to take place between Turkish armed forces and the PKK in the southeast of the country. During the review period, the PKK continued to commit several deadly attacks, including on civilians. While the security risk posed by the PKK remains high, the government has intensified its security operations, and the power balance has changed in favor of Turkish security and armed forces.

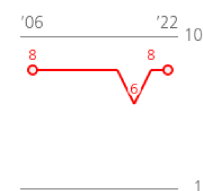
Turkey's borders with Iraq and especially Syria remain causes of concern. State control in these border regions has slightly improved following Turkey's cross-border operations, although it continues to be contested, primarily by PKK militants. In order to secure control of Turkey's porous borders with Syria and Iraq, reduce the number of refugees moving toward Turkey, and eradicate the terrorist threats emanating from Kurdish regions, the Turkish government has continued to undertake cross-border operations in Syria, including Operation Peace Spring (October 2019), which was the third major Turkish military operation on Syrian territory since 2016. Operation Peace Spring was launched in cooperation with the Free Syrian Army (FSA) in northern Syria, with the aim of rooting out the Democratic Union Party (PYD) and People's Protection Units (YPG), considered by the Turkish government to be terrorist organizations linked to the PKK. The declared objective of the operation was to create a 30 km-deep "safe zone" in the Kurdish-held territories in northern Syria.

Operation Peace Spring was followed by "Operation Spring Shield," launched in February 2020 as a response to the Balyun airstrikes, which resulted in the deaths of 34 Turkish soldiers. According to Turkish authorities, the operation aimed to secure a cease-fire agreement in the Northern Syria Buffer Zone and to prevent migration

Question
Score

Monopoly on the
use of force

8



from Idlib toward Turkey. These operations were followed by two military operations, Claw-Eagle and Claw-Tiger, in June 2020 on Iraqi territory, with the purpose of fighting the PKK, although Turkey continued to maintain good relations with Iraq's Kurdistan Regional Government (KRG).

Since the botched coup in July 2016, one of the government's primary security objectives has been purging the Gülen movement from state structures, especially army and intelligence services. The heads of the Gülen movement mostly escaped to Europe and the United States, where they continue their hostile activities against the Turkish government in line with their ideology.

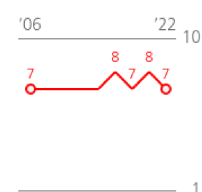
According to Article 66 of the Turkish constitution, "everyone bound to the Turkish state through the bond of citizenship is a Turk." Turkish nationality is thus based on a modern constitutional citizenship and not on ethnicity. However, despite the fact that all citizens are entitled to the same civil rights, and in spite of any discrimination based on cultural, religious or ethnic being outlawed, there remain widespread negative attitudes toward minority groups. Members of religious and ethnic minorities continue to be practically excluded from certain professional positions, such as civil servant and military officer. Hate speech and threats targeting religious or ethnic minorities, or vulnerable groups such as Roma remain a serious problem.

The cultural rights of the Kurdish minority remain limited, including legal restrictions on the use of the Kurdish language in primary and secondary education. Public services are provided only in the Turkish language. The pressure on Kurdish media, cultural and language institutions continues. The removal from office of democratically elected mayors (in Diyarbakir, Van, Mardin and Kars) and their arbitrary replacement by unelected trustees appointed and controlled by the government has further restricted the cultural rights of Kurds. However, with the exception of militant Kurdish organizations, all Turkish citizens, including cultural, religious and ethnic minorities, accept the official concept of the Turkish nation-state.

The approximately four million Syrian refugees under "temporary protection" are prohibited from acquiring Turkish citizenship. After an amendment to the law on citizenship in 2017, acquiring Turkish citizenship has been made easier for foreigners. As of 2020, 93,000 Syrian refugees were naturalized, according to Turkey's Directorate-General of Migration. However, mainly due to growing domestic unease, the government has changed its stance on Syrian refugees. As a result, Syrian refugees have started to face increasing bureaucratic and administrative difficulties in acquiring Turkish citizenship and are increasingly being threatened with forced deportation or expulsion from Turkey. The question of granting Turkish citizenship to Syrian refugees in Turkey is likely to remain a critical issue in the years to come.

State identity

7



The top-down Islamization of the “New Turkey” has been one of the most significant changes attempted under Erdoğan. The government has not only used symbols and discursive references that encourage a more Islamic way of life in Turkey but has also actively pursued policies that have furthered the Islamization of the country. These policies have promoted religion and conservative “national moral” values and limited individual freedoms and rights. The increasing influence of Sunni Islam is felt in every aspect of social and cultural life, including in the education system, architecture, high taxes on alcohol and the repression of gender issues.

The influence of Diyanet, the Directorate for Religious Affairs, in all spheres of public life has increased, and the directorate has become the government’s instrument for cultural engineering in line with the president’s purpose of constructing a homogeneous Islamic society. Diyanet’s 34% budget increase in 2020 compared to 2019, its involvement in the education system (including at the kindergarten level for children aged four to six), its intelligence gathering activities on the Gülen movement abroad and its incorporation into the state apparatus are indicators of Islam’s growing influence in Turkey. Although Diyanet is not formally part of the decision-making mechanism, it acts as the religious authority that gives legitimacy to decisions made by the president and government.

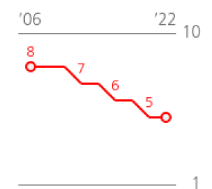
Since 2006, the government has inaugurated a record number of mosques, with the number of mosques inaugurated each year rising from 78,608 in 2006 to 84,684 in 2020 (Diyanet). The number of mosques exceeds the number of schools in the compulsory education system in Turkey (68,589 schools in 2020). As of 2020, there are over 10,000 private courses for Quranic/Islamic teaching. In May 2019, Erdoğan inaugurated the country’s largest Grand Çamlıca mosque (63,000 capacity). Since 2017, provincial and district muftis have been allowed to conclude civil marriages, which has undermined the secular civil code. Erdoğan’s decision to convert Istanbul’s Hagia Sophia into a mosque in July 2020 is another symbolic milestone in his attempt to remold Turkey in accordance with his Islamist vision.

The administrative system, in particular e-government, works reasonably well. The functioning of basic infrastructure has not been disrupted due to the COVID-19 pandemic for a long period of time. According to the World Bank (2015), 100% of Turkey’s households are connected to freshwater pipelines and 95% to sewage systems. Public transportation and education offers are sufficiently elaborated.

However, the government’s extensive purge since the July 2016 coup attempt has resulted in a deterioration in the quality of public administration. The partisanship, politicization, lack of meritocracy, lack of accountability and excessive presidential control at every level of the state machinery have led to an overall decline in the efficiency and quality of public administration.

No interference of religious dogmas

5



Basic administration

7



A lack of transparency in and oversight over public spending, and the excessive control of the executive over regulatory authorities (in particular over the central bank, which is now directly linked to the presidency) are key causes of concern. Lastly, the lack of institutional independence and lengthy review procedures cast serious doubt over the efficiency of the Inquiry Commission on the State of Emergency Measures, which is mandated to examine public servant dismissals in the aftermath of the failed coup (European Commission, 2020).

2 | Political Participation

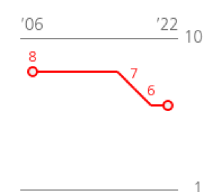
Elections continue to be held regularly and according to the fundamental democratic principles. However, the irregularities observed in recent elections, including during a public referendum in April 2017, the parliamentary and presidential elections in June 2018, and the local elections in March 2019, have led several international observers to conclude that Turkey fails to “provide a free and fair electoral environment, which is necessary for genuinely democratic elections.” These irregularities include unequal media access for parties, limitations on fundamental freedoms, the misuse of state resources to support pro-government candidates and the Supreme Election Council’s (Yüksek Seçim Kurulu, YSK) lack of independence. The 10% threshold (one of the highest in the world) continues to severely restrict the number of political parties that are able to enter parliament and represents a serious hurdle to political pluralism.

A series of actions taken after the 2019 local elections by the executive have profoundly damaged local democracy. Several elected mayors, mostly from the Peoples’ Democratic Party (Halkların Demokratik Partisi, HDP), especially in the southeast of the country, were placed in pre-trial detention on charges of terrorism, with the government appointing non-elected trustees in their place. In six municipalities, YSK decided to deny mayoral mandates to HDP candidates, who had received the highest number of votes, and assigned these votes to the second-ranked AKP candidates. YSK also annulled ex-post the mandate of recently elected mayor of Istanbul Ekrem İmamoğlu of the Nation Alliance, although İmamoğlu won by an even larger margin in a rerun of the election in June 2019.

The 2018 transition to a presidential system consolidated the concentration of power in the president’s office. In the new system, the judiciary, military and the bureaucracy are fully controlled by the executive, and the parliament has been marginalized. The executive’s absolute and effective power to govern through the excessive concentration of power in one person (the president) has, however, called into question the democratic nature of the elected president.

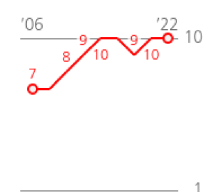
Free and fair elections

6



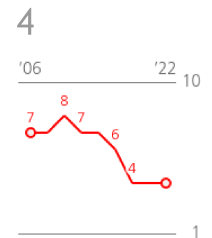
Effective power to govern

10



Notwithstanding the lifting of the state of emergency in July 2018, freedom of assembly and association have continued to be severely restricted in law and in practice since the failed coup. Groups who do not pose an existential threat to the government can exercise association and assembly rights without much trouble, whereas organizing demonstrations has become almost impossible for opposition groups, with security forces regularly using disproportionate force to dispel “illegal” gatherings. Administrative fines for, and investigations into and detention of protesters are commonplace. Several attempted demonstrations were prohibited or stopped by the police, including protests against the government’s approach to the Kurdish issue, Turkey’s military operations in Syria, the appointment of government trustees in southeast Turkey, the gold mining projects in the Kaz mountains and the bar associations’ march to Ankara. The Istanbul Pride march was also banned for the fifth consecutive year without justification, as were other LGBTQ+ events. Peaceful commemorations by “Saturday Mothers” have been routinely broken up by police and their weekly meetings in Galatasaray Square in Istanbul remain banned, compelling them to gather in a side street. In January 2021, Turkish police brutally detained dozens of students who were peacefully protesting against the executive’s attempt to assert political control over Boğaziçi University by appointing an AKP member as the new rector of the university. A recently amended regulation, which gives the police and intelligence access to military weaponry, is expected to further limit freedom of assembly.

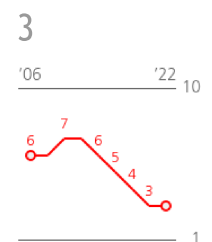
Association / assembly rights



The pandemic has enabled the government to introduce new restrictive measures to limit dissent. As of March 2020, as part of the extraordinary measures to prevent the spread of the coronavirus, the government prohibited all meetings and civil society activities that would bring people together in person.

The negative trend with regard to freedom of expression has continued. Particularly concerning trends include the systematic intimidation of opposition media through detaining, arresting and prosecuting journalists, which has led to self-censorship among media professionals; government interference in editorial independence; bans on social media; pressure on Kurdish media; and the fining and forced closure of media outlets.

Freedom of expression



While this downward trend has been consolidated, the defining feature of the 2019–2021 period was the normalization of restrictions placed on freedom of expression and freedom of media. The law on the Internet adopted in July 2020 gave the government new powers to further restrict and control social media content. At the time of writing, over 400,000 websites remain blocked. In the same vein, the Regulation on Radio, Television and Online Broadcasts, in force since August 2019, expanded the control of the Radio and Television Supreme Council (Radyo ve Televizyon Üst Kurulu, RTÜK) over online video producers, with online video producers now required to obtain a license to broadcast in Turkey, even if they operate abroad.

The closure of media outlets and the arrests of journalists have continued, with a notable increase of closures and arrests during the Turkish incursion into Syria in October 2019 and the COVID-19 pandemic. Turkey arrested several hundred people for “provocative” social media posts about the coronavirus outbreak, while RTÜK imposed administrative fines on media outlets that had criticized the government’s handling of the pandemic. The executive also attacked the Turkish Medical Association (Türk Tabipleri Birliği, TTB) for having publicly questioned the official COVID-19 statistics.

Weaknesses in the judicial system exacerbate these restrictions. In this respect, the reversal of courts’ initial decisions (e.g., the case of Ahmet Altan) or the non-compliance of lower courts with Constitutional Court judgments (e.g., in the case of the “Peace Academics”) can also be considered part of the “new normal” in Turkey. Universities are under strict government control and self-censorship has become routine among academics. The amendments to the Turkish Higher Education Council Law introduced additional restrictions to the ones already in force. The government’s extensive use of anti-terror legislation and very broad interpretation of “terrorism” have enabled it to restrict almost all forms of free expression.

Turkey’s position in the World Press Freedom Index has slightly improved from 157 in 2018 to 154 in 2020 (out of 180 countries). This might be explained by the cosmetic steps taken by the government, such as the decrease in the number of journalists held in prison (from 160 in 2019 to 120 in 2020) or the removal of the ban on Wikipedia (December 2019). However, these symbolic steps do not outweigh the harsh measures adopted over the last two years.

3 | Rule of Law

The absence of effective checks and balances, and the excessive concentration of power in the executive (president) at the expense of the legislative and judiciary has become an integral characteristic of the political system following the 2017 constitutional amendments and Turkey’s transition to a presidential system in 2018. The necessary checks and balances required to protect against an excessive concentration of power in one office and to ensure the independence of the judiciary are insufficient, according to the Venice Commission.

Several articles in the amended constitution are particularly controversial, such as the abolishment of the parliament’s right to interpellation of the president and its right to audit the government. The president, who holds the combined offices of head of state, head of government and head of the ruling party, remains accountable with five-year intervals to the electorate, but not to parliament in its daily business. While members of parliament have no right to ask oral questions, written questions can only be addressed to the vice presidents and ministers. Furthermore, an impeachment procedure against the president requires the support of at least two-thirds of deputies (400 deputies out of 600) and is thus highly unlikely.

Separation of powers

3



Already severely damaged by the extensive purge and extraordinary measures taken under the state of emergency, the independence of the judiciary has been further eroded. Since 2016, approximately 30% of judges and prosecutors have been dismissed, while many more have been transferred or forced to resign.

In light of the COVID-19 pandemic, no state of emergency was declared. New measures were announced by the government through circulars. These circulars were not published in the Official Gazette but were instead announced on the Ministry of Interior's website as "notices," despite the constitution stating that fundamental rights and freedoms can only be restricted by law.

The president has the authority to appoint 12 out of 15 judges of the Constitutional Court, as well as six members (out of 13) of the Council of Judges and Prosecutors (Hâkimler ve Savcılar Kurulu, HSK). The latter is the key institution responsible for the appointment, promotion, transfer and performance evaluation of judges and prosecutors. The influence of the executive over judicial decisions, the negative impact of the large number of dismissals post 2016 of judges and prosecutors on the quality of judicial decisions, and the politicization of the judiciary constitute additional areas of concern.

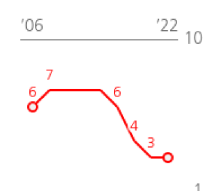
The adoption of the Judicial Reform Strategy 2019 – 2023 and the two subsequent legislative packages remain symbolic, and fall short of restoring judicial independence and limiting the influence of the executive over the HSK. In addition, these moves have failed to address shortcomings associated with the introduction of the so-called Criminal Peace Judgeships, which function as a parallel system in criminal proceedings. Furthermore, the July 2020 amendment to the Law on Lawyers was a further blow to the functioning of the judiciary, as these changes aim to disempower existing bar associations.

Another source of concern is the non-compliance of lower courts with the judgments of the Constitutional Court. This anomaly coupled with the executive's systematic criticism of court decisions and the surrounding political discussion on the restructuring of the Constitutional Court is worrying as these developments might lead to the complete marginalization of the Constitutional Court. The appointment of İrfan Fidan, the former Istanbul chief public prosecutor as a member of the Constitutional Court on January 23, 2021, was another serious blow to the Constitutional Court's independence. In addition to his close ties to Erdoğan, Fidan has conducted many high-profile criminal cases for the AKP, including the MIT trucks, Sledgehammer and Gezi Park cases, as well as the cases against journalists Can Dündar and Erdem Gül as well as businessman Osman Kavala.

The Parliamentary Assembly of the Council of Europe (PACE) continues to monitor Turkey and scrutinize its commitment to its obligations under the Statute of the Council of Europe and the European Convention on Human Rights. PACE monitoring was suspended in 2005 and reinstated in April 2017.

Independent
judiciary

3



In general, state and society hold civil servants accountable, and conflicts of interest are resolved, although high-level officials and politicians enjoy different treatment. For example, corruption charges against members of the government and their families which emerged in December 2013 were not investigated; police and judicial officials faced considerable harassment by the government.

The new mayors of Istanbul and Ankara, Ekrem İmamoğlu and Mansur Yavaş, have launched corruption investigations into the previous AKP administrations, which involve current Minister of Transport Adil Karaismailoğlu. İmamoğlu and Yavaş have enacted a series of changes in their respective cities to promote transparency in municipal governance. However, the real obstacle to the opposition mayors' attempts to initiate corruption investigations remains the judiciary's lack of independence. Moreover, the government has restricted access to news related to the corruption allegations raised by İmamoğlu in December 2020.

Several measures implemented under the post-2016 state of emergency, such as arbitrary arrests and dismissals, have been consolidated and systematized under Turkey's new presidential system. The arbitrary rule has become a structural feature of the system – which lacks transparency, and legal and administrative control – as the president directly appoints and nominates civil servants and high-level officials.

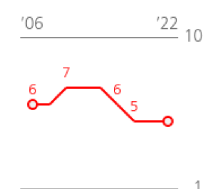
The legal framework includes basic provisions for the protection of civil and fundamental rights. However, the legislation and practice are not in line with international standards. Despite the end of the state of emergency (July 2016–July 2018), the deterioration of civil and fundamental rights continues. Many of the restrictive measures adopted under the state of emergency are still in force and the lack of a resolution to the large number of dismissals post-coup is worrying. Torture and ill-treatment are reportedly widespread in prisons and detention centers. The reinstatement of the death penalty is under discussion.

Organizations dealing with human rights or particularly the Kurdish issue continue to face increasing pressure. The European Court of Human Rights (ECtHR) has found Turkey guilty in numerous judgments of violating the European Convention on Human Rights, including the cases of Selahattin Demirtaş, the former co-chair of the HDP, and Osman Kavala, a businessman and human rights defender, who have been in detention since September 2017, despite the ECtHR call for their immediate release. Four of the human rights activists affected by the Büyükada case received heavy prison sentences in 2020. In addition, the European Commission has criticized the limited independence of the public institutions in charge of protecting these rights.

Hate speech, threats directed against ethnic and religious minorities, and violations of the rights of LGBTQ+ persons remain serious problems. Discriminatory legislative provisions regarding people with disabilities (e.g., restrictions on access

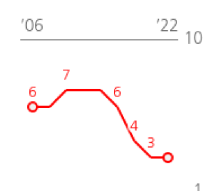
Prosecution of office abuse

5



Civil rights

3



to public professions, such as diplomats, judges and governors) remain in place. Furthermore, discrimination on the grounds of sexual orientation and gender identity in the workplace is not prohibited by law.

The authorities' response to the COVID-19 crisis introduced measures (e.g., a curfew, and restrictions on the freedoms of expression and assembly) that are likely to further undermine civil and fundamental rights.

4 | Stability of Democratic Institutions

The enduring negative impact of Turkey's new presidential system – which undermines effective checks and balances, the separation of powers between the executive, legislative and the judiciary, and the democratic accountability of the executive branch – has resulted in the consolidation of authoritarian forms of governance.

While the constitutional amendments of 2017 abolished the Prime Minister's Office and curtailed the legislative powers of the Grand National Assembly, the implementation of the new system has almost completely marginalized the parliament, including its legislative and oversight functions. The president has absolute authority over the appointment and dismissal of senior government officials. He has the authority to declare a state of emergency and rule by presidential decrees on matters outside the scope of the law. He can indirectly dissolve the parliament by calling for new parliamentary and presidential elections. The president can also veto laws and controls the judiciary through the appointment of members of the Council of Judges and Prosecutors, and Constitutional Court judges.

Thus, despite the resilience of opposition parties and dissident voices in the society, especially at the local level, all democratic institutions, including the parliament and the public administration, are increasingly controlled by the executive.

All relevant political and social players, with the exception of the PKK, used to accept the democratic institutions as legitimate. However, the governance model installed by the AKP has resulted in a deeply divided society, split between two opposing camps. This polarization is both political (among political parties) and societal (ideological cleavages in society). Rather than being committed to democracy and democratic institutions, President Erdoğan's policies are intended to consolidate his power by altering the rules of a functioning democratic system (e.g., through the 2017 constitutional changes) and by silencing the opposition (e.g., through restrictions on media, civil society and opposition parties). While curbing the power of democratic institutions (mainly the parliament, political parties and the judiciary), the president claims to draw his authority directly from the people, this claim excludes those who did not vote for him. Consequently, although the political

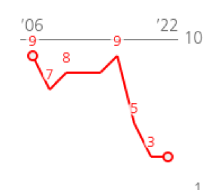
Performance of
democratic
institutions

3



Commitment to
democratic
institutions

3



dissent is committed to securing a change in government through elections, Erdoğan's governance model has led to further polarization in society and the contestation of the new system by a sizable segment of the population.

5 | Political and Social Integration

Due to the high 10% electoral threshold, just four parties have dominated Turkish politics. While the Republican People's Party (Cumhuriyet Halk Partisi, CHP) is the country's oldest party, founded by Mustafa Kemal Atatürk and thus dedicated to upholding the Kemalist nationalist ideology, it was the AKP (Adalet ve Kalkınma Partisi, Justice and Development Party) as an Islamist party that has been in power since 2002 and has increasingly consolidated its power. At the extreme nationalist end of the party spectrum stands the Nationalist Movement Party (Milliyetçi Hareket Partisi, MHP). The People's Democratic Party (Halkların Demokratik Partisi, HDP) is a pro-Kurdish party, advocating the transformation of Turkey into a more democratic and multicultural country.

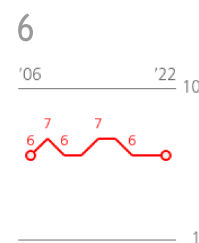
The İyi Parti (Good Party) emerged in October 2017, bringing together primarily MHP defectors, who left the MHP after the party's support for a "Yes" vote in the 2017 constitutional referendum. The Good Party has adopted a conservative, nationalist and secularist line, criticizing the AKP and its close ally the MHP for pursuing an anti-democratic agenda.

Nationalism became more pronounced following the June 2018 elections when the MHP and AKP established an electoral alliance for the 2018 presidential election (People's Alliance). The opposition parties formed the Nation Alliance, which united the CHP, İyi Parti and the Islamist Felicity Party (Saadet Partisi, SP). Although the ideologies of these parties diverge, they have started to embrace an increasingly nationalist discourse, and are united in their opposition to Erdoğan and the malfunctioning of the presidential system.

In 2020, two new parties emerged, namely the Democracy and Progress Party (Demokrasi ve Atılım Partisi, DEVA, lit. "remedy") formed by Ali Babacan, and the Future Party (Gelecek Partisi, GP) founded by Ahmet Davutoğlu, both former high-ranking AKP politicians. While Babacan's party promotes liberal values, the rule of law and good governance, Davutoğlu's party aims to capture conservative votes.

Following the deep polarization in the country and marginalization of the parliament, the possibility for inter-party dialogue in parliament remains very limited. In particular, the HDP has been stigmatized and marginalized: 47 democratically elected HDP municipal mayors have been replaced by AKP-appointed trustees, while several HDP members were deprived of their parliamentary seats and imprisoned for allegedly supporting terrorist activities.

Party system



Judicial investigations were launched against the HDP co-chairs, and other HDP and CHP members of parliament because of their statements on the Peace Spring military operation in the northeast of Syria.

In Turkey, political parties lack intraparty democracy. Party leaders dominate their parties' administrations, with political parties largely controlled by authoritarian leadership structures, which leaves no room for intraparty criticism or party leader succession. The nomination procedures for candidates tend to enhance the power of the party leaders. The leadership and personality of party leaders is more decisive in mobilizing people than party ideology. This authoritarian intraparty structure is an integral part of Turkish political culture.

More than 120,000 associations, and several hundred unions and chambers are still active in Turkey. Those perceived as "critical" of the government are considered to be potential security threats and hence face pressure. Several human rights activists have been arrested, detained or intimidated. The Gezi trial and the continued pre-trial detention of Osman Kavala have acted as a deterrent to civil society activism. Through emergency decrees, around 1,400 associations have been closed without legal recourse after the failed coup.

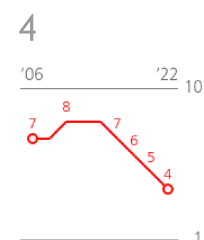
Administrative difficulties for national and international non-governmental organizations (NGOs) are restrictive. In December 2020, the parliament granted the Ministry of Interior further controls over and powers to limit NGO activities. This includes annual inspections by civil servants.

Although NGOs are generally excluded from genuine legislative consultation, the pro-government organizations are more visible and assume a greater role. Overall, civil society culture in Turkey remains weak and the dependency of many civil society organizations on foreign funding makes them a target for government-promoted conspiracy theories.

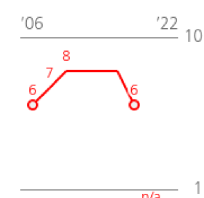
Despite increasing dissatisfaction with the functioning of the democratic system, and low levels of trust in the existing democratic institutions and political parties, Turkish citizens remain committed to democracy.

Polls conducted by Kadir Has University indicate that as of January 2021 the top three most trusted institutions in Turkey have remained the same for several years: the army (59%), gendarmerie (58.5%) and police (56.9%). The least trusted institutions are those that are almost exclusively controlled by the executive, namely the media (39.2%), RTÜK (44%) and ÖSYM (40.6%), the student selection and placement system (Öğrenci Seçme ve Yerleştirme Sistemi). The Turkish Medical Association, which was targeted by the Turkish authorities for allegedly "creating fear and panic among the public" related to the COVID-19 outbreak, is also among the most trusted institutions (55.1%).

Interest groups



Approval of democracy



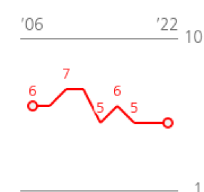
A 2020 survey by Metropoll, a Turkish polling firm, indicates that public trust in the presidential system has continued to fall since 2018. As of December 2020, less than 35% of Turks support the executive presidential system (compared to 56.5% in 2017 and 44.1% in 2018). While only 34.5% believe that Turkey should continue with the current system, 58% would prefer to go back to the parliamentary system.

According to Kadir Has University's polls, the main concerns of the electorate are the sanitary crisis (23.5%), and – as in previous years – unemployment (20.7%) and the worsening economic situation (12.3%). These are followed by the restrictions to fundamental rights and freedoms (12.3%), terrorism (8%), and refugees (6%).

Turkish society remains deeply divided along ethnic, political and religious fault lines. While the Kurdish issue is one of the divisive lines (Kurds v. Turks), Turks are also divided politically (conservative nationalists v. modernists) and religiously (Sunni Islamists v. secularists). In recent years, the political elite's divisive discourse has further aggravated these fault lines between supporters of Erdoğan and his opponents. Recent polls by Kadir Has University confirm that 55.9% of the population think that there is political polarization – the highest percentage since 2016. The level of trust and tolerance has in particular decreased vis-à-vis LGBTQ+ groups, ethnic minorities and non-Muslims. According to the Dimensions of Polarization in Turkey 2020 report, 53.8% are unwilling to live in the same neighborhood as an LGBTQ+ person. Syrian refugees, Armenians and other non-Muslim ethnic groups are also among the least trusted neighbors.

Social capital

5



II. Economic Transformation

6 | Level of Socioeconomic Development

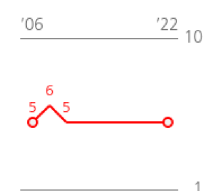
The combined effect of Turkey's conflictual relations with the West, its involvement in a number of regional conflicts, the politicization of institutions, the influx of approximately four million refugees and the COVID-19 pandemic have all negatively impacted the Turkish economy.

After 2000, rapid economic growth and increasing levels of FDI led to an increase in employment and higher incomes, turning Turkey into an upper-middle-income country in World Bank terms. In the UNDP's 2019 Human Development Index, Turkey ranked 54, scoring 0.82. Although the poverty incidence rate more than halved between 2002 and 2015, and extreme poverty fell even faster, the poverty rate has started to increase again, rising from 13.5% in 2016 to 14.4% in 2018 (World Bank). Turkey's Gini coefficient of 0.408 and the income quintile ratio (P80/P20) of 7.8 in 2018 indicate that income inequality has slightly increased and is higher than the EU average. The at-risk-of-poverty rate rose to 21.2% in 2018.

Question
Score

Socioeconomic
barriers

5



Ethnicity, gender and place of residence strongly influence access to education and well-paying jobs. Regional disparities in poverty rates remain high, and extreme income disparities between rural and urban regions continue, particularly in the east and southeast regions of the country, where the average household income is only one-third of certain western provinces. In the UNDP's Gender Inequality Index, Turkey reduced gender inequality fairly remarkably from 0.427 in 2010 to 0.360 in 2019. However, women's participation in the labor force remains very low.

Child poverty is a serious concern. In 2017, 34.6% of children experienced severe material deprivation, an improvement compared to the previous year, yet the highest rate in Europe.

The COVID-19 pandemic is expected to seriously affect household welfare in Turkey, particularly for poor and vulnerable households. According to World Bank 2020 estimates, poverty could increase by around 40%, from 10.4% to 14.4%. However, the government's ongoing policy responses could decrease the poverty rate significantly from 14.4% to 11.8%.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	858996.3	778377.0	761428.2	720101.2
GDP growth	%	7.5	3.0	0.9	1.8
Inflation (CPI)	%	11.1	16.3	15.2	12.3
Unemployment	%	10.8	10.9	13.7	13.9
Foreign direct investment	% of GDP	1.3	1.6	1.2	-
Export growth	%	12.4	9.0	4.9	-15.4
Import growth	%	10.6	-6.4	-5.3	7.4
Current account balance	\$ M	-40813.0	-21743.0	6759.0	-37264.0
Public debt	% of GDP	28.0	30.2	32.7	39.8
External debt	\$ M	456562.2	445973.3	440773.0	435889.4
Total debt service	\$ M	86623.1	84320.2	86941.8	87073.9

Economic indicators		2017	2018	2019	2020
Net lending/borrowing	% of GDP	-2.5	-2.1	-2.9	-
Tax revenue	% of GDP	17.7	17.3	16.5	-
Government consumption	% of GDP	14.4	14.7	15.5	15.2
Public education spending	% of GDP	-	4.3	-	-
Public health spending	% of GDP	3.2	3.2	-	-
R&D expenditure	% of GDP	1.0	-	-	-
Military expenditure	% of GDP	2.1	2.5	2.7	2.8

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

The transition to a strict presidential system since 2018, combined with serious backsliding in the judicial system, has cast a shadow on the free functioning of a market economy in Turkey. The appointment of a banker convicted for bank fraud in the United States as chairperson of the Istanbul Stock Exchange in October 2019 and the dismissal of the governor of the Central Bank of the Republic of Turkey (CBRT) in 2020 are cases of concern. Concerns about the government's commitment to the rule of law and its increasingly unpredictable economic policies, combined with the high levels of foreign exchange debt held by Turkish banks, are the main factors behind the current historically low levels of foreign direct investment (FDI). Furthermore, the recent introduction of a digital services tax has negatively impacted foreign investment into the country.

The state is still very active in price setting, especially in key sectors, which is mainly politically motivated by a desire to appeal to voters. Especially in the food and energy sectors (natural gas and electricity), the government has undermined automatic pricing mechanisms. There is a continued lack of implementation rules, enforcement, transparency and institutional set up around state aid. The European Union has requested that Turkey improve the transparency of state aid and align its legislation on state aid schemes. However, this is yet to happen.

According to the European Commission's 2020 Progress Report, the government improved the regulatory business environment. In the 2020 Doing Business Index, Turkey jumped up 27 places in just two years to rank 33. However, starting a business remains relatively difficult. According to the World Bank, it takes seven procedures and seven days, and costs 10.6% of GNI per capita to establish a business, placing the country at a mediocre 77 out of 190 countries for the "starting

Market
organization

7



a business” sub-index. Furthermore, market exit conditions remain costly and time-consuming. Because of the difficult economic environment, the number of newly created businesses fell by 1.4% in 2019, while the number of liquidations increased by 4.7%.

Although Turkey’s informal economy has decreased in size in recent years, it still remains high. The overall rate of unregistered employment reached 34.5% of the total workforce in 2019.

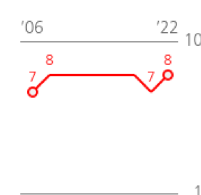
Tied into the customs union with the European Union since 1996, Turkey fulfilled its obligation to adopt the European Union’s antitrust legislation. The Law on the Protection of Competition and the amendments made in June 2020 are in line with the EU requirements. The Turkish Competition Authority (TCA) is tasked with monitoring the market and implementing antitrust rules where necessary. The TCA operates effectively with regard to privatizations, mergers and acquisitions, and has ensured that market positions are not abused. Although the TCA remains a largely independent institution, the direct appointment of its president and members by the president of the republic without the involvement of relevant public institutions impairs its independence. The executive also controls and appoints the members of other key institutions, including the Economic Policies Council, which is responsible for implementing the law, and the Directorate-General of Economic Programs and Research, which is tasked with coordinating state aid. Here, the European Commission’s 2020 Progress Report criticized the increase in state aid and its lack of transparency.

Although trade with the European Union operates relatively unhindered, with the notable exception of some specific goods, as of 2020 there is a growing list of deviations from Turkey’s obligations under the EU–Turkey customs union. This has led to a decrease in the European Union’s relative share in Turkish foreign trade. This is mainly due to the preferential free trade agreements (FTA) the European Union has negotiated with third countries, which have had asymmetrical consequences for Turkey.

Turkey has 22 free trade agreements (FTAs) in force, while FTAs signed with Lebanon, Sudan and Qatar are in the process of being ratified. Turkey has been a member of the World Trade Organization since 1995. Its simple average MFN applied tariff was 10% in 2019. Turkey is also a member of the Economic Cooperation Organization, the United Nations Conference on Trade and Development, the Organization of the Black Sea Economic Cooperation, the World Customs Organization, and the International Chamber of Commerce and founding member of the Developing-8 Organization for Economic Cooperation.

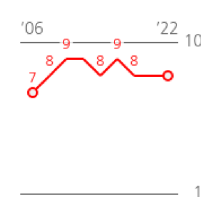
Competition policy

8



Liberalization of foreign trade

8



Turkey's banking system is organized according to European standards, with functional supervision, minimum capital requirements and good market discipline. Under the presidential system, however, the central bank and many regulatory authorities are directly linked to the presidency, which undermines their independence. The president has the power to directly appoint the president and members of the Banking Regulation and Supervision Agency (BRSA), and of the Saving Deposit Insurance Fund (Tasarruf Mevduatı Sigorta Fonu, TMSF).

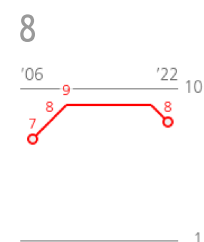
According to the CBRT, all banks operate in accordance with the profit/loss-sharing principle. Despite the currency turbulence of 2018, the financial sector has remained stable. Commercial banks, which dominate the financial sector, continued to perform solidly. The bank capital-to-assets ratio stood at 11.7% in 2019, having remained at roughly the same level throughout the previous decade. However, due to the 2018 recession, non-performing loans (NPLs) increased from below 3% in 2017 to 5.4% by the end of 2019, along with rising stage two loans (i.e., loans for which the risk of non-payment has increased significantly). By June 2020, the significant expansion in credit had led to a decrease in NPLs.

Since 2018, the BRSA has further improved its supervisory and enforcement capacity, and took several steps to address the increase in NPLs. As part of the measures to mitigate the economic impact of the COVID-19 outbreak, the period of time allowed before an unpaid loan is classified as non-performing was increased from 90 to 180 days. Furthermore, the CBRT lowered reserve requirements for banks with a growing lending portfolio. Meanwhile, the banking sector has provided flexible loan payment options for their customers.

According to the BRSA, at the end of 2018, 53 banks were operating in Turkey, including 32 deposit banks, six participation banks (Shariah-compliant banks) and two banks under the management of the TMSF. The share of deposits in total bank assets was 87%, while the shares of development and investment banks, and participation banks were 7% percent and 6%, respectively. After falling throughout most of 2019, total bank assets have started increasing and accelerated strongly in 2020, reaching 120% of GDP in June 2020.

Turkey's foreign exchange reserves were measured at \$36.3 billion in September 2020, a sharp decrease compared to 2019 when total foreign currency assets reached \$76.5 billion. According to the European Banking Federation, total assets reached \$756 billion as of 2019. Loans and securities had shares of 59% and 15% in total assets, respectively. The loan volume of the banking sector reached \$447 billion and the ratio of loans to GDP was 62%. Of total loans, 53% were extended to large-scale companies and project financing, 24% to SMEs, and 23% to consumers. The loan-to-deposit ratio decreased by 14 percentage points to 104% compared to the previous year. This ratio was 130% in Turkish lira loans and deposits, and 78% in foreign exchange loans and deposits as of December 2019.

Banking system



8 | Monetary and fiscal stability

Under the new presidential system, economic governance, including the central bank's independence, has been negatively affected by the increasing politicization. The Central Bank of the Republic of Turkey (CBRT) remains directly linked to the presidency, which undermines its independence. An illustrative example of this was the dismissal of CBRT Governor Murat Çetinkaya in July 2019 – the first dismissal of a central bank governor since the 1980 military coup. His successor, Murat Uysal, was also replaced in November 2020 by former finance minister Naci Agbal. In parallel, Berat Albayrak, the minister of finance and Erdoğan's son-in-law, was replaced by Lütfi Elvan, a former deputy prime minister.

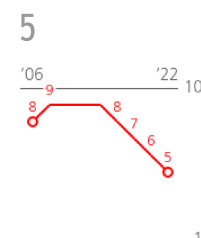
These changes came after a sharp depreciation in the value of the Turkish lira. The CBRT, with the agreement of the president, started to follow orthodox monetary policies with a view to delivering “price, financial and macroeconomic stability,” according to the Economist Intelligence Unit. Prior to this, the ambitious targets set after the 2018 currency crisis had not been met. The consumer price inflation (CPI) rate increased to double digits, well above the CBRT's 5% target, rising from 11.1% in 2017 to 16.3% in 2018, before decreasing slightly to 15.1% in 2019.

During 2019, inflationary pressures decreased owing to weak demand and the relative stabilization of the lira. However, exchange rate volatility resumed toward the end of 2019, mainly because of Turkey's assertive foreign policy and the threat of sanctions. The pressure on the lira intensified in 2020, leading to a loss of more than 15% against the U.S. dollar in the first half of 2020, despite CBRT interventions. While foreign exchange reserves fell from \$77 billion in February to \$41.1 billion in November 2020, CBRT swap agreements with domestic financial institutions rose to \$57.9 billion in September 2020 from \$19 billion in January 2020. This meant a negative balance in net reserves held by the CBRT.

In late 2020, following the reshuffle in Turkey's senior economic management, which included the replacement of Berat Albayrak as finance minister, authorities decided to abandon the loose credit and monetary policies in order to prevent a further sharp depreciation in the value of the Turkish lira against the U.S. dollar, slow down the inflation rate and stop the rapid depletion of foreign currency reserves.

The CBRT's new leadership cut the key policy rate considerably (from 24% in mid-2019 to 8.25% in May 2020) and adopted a series of measures to support credit growth. In the face of the COVID-19 pandemic, these measures included providing commercial banks with liquidity support (in foreign currencies as well as the Turkish lira) and supporting access to credit for the corporate sector and exporters. Furthermore, in response to the coronavirus crisis, “the bank regulator announced a

Monetary stability



number of forbearance measures, primarily to limit the accounting impact of the Turkish lira depreciation and fall in securities' prices," as explained by the IMF. Despite these measures, international observers expect a two-digit inflation rate between 2020 and 2021, owing to price pressures, and the lira to continue to weaken to around TRY 7.5 to the U.S. dollar.

Following an average growth rate of 7.4% between 2010 and 2015, several factors, including the turbulent domestic political climate, geopolitical conflicts and security concerns, slowed Turkey's economy considerably in 2016. Although GDP growth accelerated again in 2017 to 7.3% (from 3.3% in 2016), the 2018 recession had a negative impact on the economy. GDP growth slowed to 2.9% in 2018 and 0.9% in 2019. For 2020, the World Bank projected GDP to continue to decline because of the combined impact of the pandemic, the massive deterioration in the current account balance, lower demand-side consumption, and reduced service and manufacturing output.

Turkey's current account deficit widened to -4.8% of GDP in 2017 (from -3.1% in 2016). The recession and abrupt fall in domestic demand led to the closing of account deficit (-2.7% in 2018 and 1.16% in 2019). The small surplus in 2019 (the first since 2002) is largely related to the depreciation of the Turkish lira in 2018. The budget deficit continues to widen from -2.2% of GDP in 2017 to -5.65% in 2019.

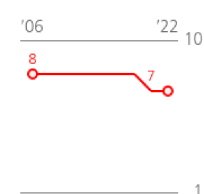
Political turmoil after the attempted coup, international and bilateral crises (e.g., the war in Syria, and political tensions with the United States, the European Union and Russia), and lately the COVID-19 pandemic have negatively affected trade revenues, tourism and FDI. A high current account deficit and large public debt have left the economy vulnerable to sudden changes. In reaction to the COVID-19 crisis, Turkey adopted restrained discretionary fiscal responses, mainly because it entered the crisis with an already high fiscal imbalance and has experienced a steep increase in its sovereign risk premium since mid-February 2020, as analyzed by the European Commission (2020). These measures have resulted in certain vulnerabilities, including the erosion of CBRT reserves, and excessive credit growth.

Public debt reached \$232.6 billion in 2018 (30.17% of GDP, a 1.95 percentage point rise from 2017). The depreciation of the lira led to an increase in Turkey's gross external debt to 58% of GDP in 2019. Total external debt increased to \$437.6 billion in 2019 from \$405.7 billion in 2016. Total debt service in 2019 was \$86.9 billion. In 2015, this figure was \$55.8 billion. Total reserves have continued to fall from their all-time high of \$131.1 billion in 2013 to \$105.6 billion in 2019.

The return to an orthodox policy mix in November 2020 helped ease near-term external financing risks deriving from low level of international reserves and the impact of the pandemic. By the end of 2020, monetary policy had been significantly

Fiscal stability

7



tightened, international reserves had stabilized, and the Turkish lira had appreciated against the U.S. dollar. However, the sustainability of the current orthodox policy mix and implementation of reform measures is doubtful given the proximity of the 2023 general elections.

9 | Private Property

Property rights and the regulation of the acquisition of private property are reasonably well-defined and protected under the Turkish legal system, despite the recent erosion in the rule of law.

The European Commission identified “a good level of preparation in the legal protection of intellectual property rights and of copyright and related rights.” The legislation on the acquisition of real estate by foreigners does not fully comply with EU legislation. Through a recent regulation, Turkey established new conditions for granting Turkish citizenship to foreign investors subject to certain criteria, including buying real estate. In key sectors, such as radio and TV broadcasting, aviation and maritime transportation, education, and mining, foreign ownership is restricted. A series of restrictions were introduced after the August 2018 currency crisis on capital movements for residents and non-banking corporations, with transactions denominated in foreign currencies still in place.

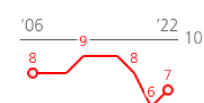
Under the state of emergency (July 2016–July 2018), several infringements on private property rights occurred. State confiscation of property belonging to institutions and companies went unchallenged and continues to be a source of concern. The lack of effective domestic remedy for confiscations is a cause of concern, as the Inquiry Commission on the State of Emergency Measures is inefficient and lacks transparency.

Following the end of the peace process with the Kurdish PKK in 2015, thousands of Kurds were expelled from their homes and a large proportion of their property was expropriated, especially in Diyarbakir and Sur. The court cases continue. Legislation covering all aspects of property rights, in particular the property rights of non-Muslim minorities, needs to be revised.

Private companies continue to comprise the most important component of the Turkish economy. Starting a business in Turkey has been made easier through recent legislation, which has led to institutional changes, and the digitalization and electronic processing of documents. While Turkey made property registration less expensive and quicker by reducing the time required to obtain a tax assessment, the government also simplified the process of paying taxes by amending the value added tax code to exempt certain capital investments from value added tax, according to the World Bank’s Doing Business Report 2020.

Property rights

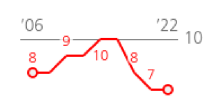
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Private enterprise

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The overall business environment has, however, been negatively affected by a general erosion in the rule of law. A high level of arbitrary rule, increased state interference, and actions targeting companies, businessmen and political opponents continue to harm the business environment. Since the president has acquired the competences for the privatization process, including all decisions and procedures, the years of massive privatizations have abruptly ended. Privatization receipts declined from \$1.4 billion in 2018 to \$0.1 billion in 2019, with the exception of the privatization of hydroelectric power plants in 2019 and the sale of immovable assets (e.g., land and buildings). Government assets within the scope of the Turkish Sovereign Wealth Fund (TWF) appear to be exempted from privatization. Corruption remains a concern in privatization and government procurement, in particular in the energy sector.

In response to the COVID-19 pandemic, Turkey set up the Economic Stability Shield package of \$15.4 billion (2.2% of GDP) in March 2020. A quarter of this fund is allocated to support SME and private business liquidity needs.

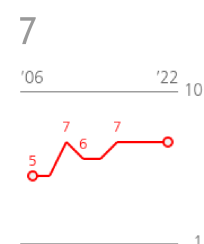
10 | Welfare Regime

The Social Security Institution (Sosyal Güvenlik Kurumu, SGK), established in 2006, offers short- and long-term benefits. The benefits include support in case of workplace injuries, illness and maternity leave, old age insurance, disability insurance, survivors' insurance, and marriage and funeral benefits. The social security system is compulsory, and is funded by contributions from employers, employees and the state. Beneficiaries of the non-contributory component, which is made under a green card system, are people who cannot afford their medical expenses.

As the European Commission highlighted, a presidential decree adopted in August 2019 “brings the budgets of local authorities, professional organizations, foundations and social security institutions under the control of a single account managed by the Ministry of Treasury and Finance that answers directly to the president.” In 2019, 43 different programs provided a total of TRY 55 billion in support to nearly 3.5 million households. However, no comprehensive policy framework for poverty reduction is identifiable.

The health care system in general functions well, and provides largely accessible and almost universal coverage, although regional differences persist. The country lacks a long-term care system that covers children and people with disabilities. The welfare system is also beset by heavy debt, which the government has attempted to reduce through various reforms. In 2019, social protection expenditure represented 12.0% of GDP, a decrease from 12.8% in 2016. Half of this amount is spent on pensions. The state covers general health insurance premiums for around 8.7 million people in need.

Social safety nets



Turkish labor law needs to be improved, and the legislation pertaining to workers' rights needs to be better enforced and implemented. A high percentage of the working population is not protected by the labor law. The share of people not registered with any social security institution rose to 36.1% in August 2019 – a level not seen since 2014. This high number of people in unregistered work in Turkey is a source of concern.

In order to mitigate the social impact of the COVID-19 pandemic, the government enacted several short-term measures, which included relaxing the eligibility criteria for short-term work benefits, relaxing the rules for taking unpaid leave and postponing the social security premium liabilities of employers by six months. Furthermore, employers received a monthly subsidy until the end of 2020 in order to continue paying workers at minimum wage level, while 4.4 million households received a one-off payment of TRY 1,000 in April 2020. The National Solidarity Fund was set up to provide further support to families in need. As noted by the European Commission, these measures are limited, and intended to mitigate the impact of the pandemic on employment and in particular on workers in the informal sector. During the pandemic, testing and hospitalization were available for free to all individuals irrespective of their social security coverage.

Turkey has a legislative and institutional framework on gender equality, attributable to the country's accession process to the European Union. However, conservative rhetoric and government policies which emphasize motherhood instead of gender equality has led to the deterioration of women's status and to widespread discrimination against women. Government policies that have incentivized marriages, childbirth and women's part-time work have been counterproductive to women's empowerment.

During the review period, high-level officials, including the president, argued that the Council of Europe Istanbul Convention poses a threat to "Turkish family values" and should be revised. In terms of employment, there is a large difference between the participation of men (78.2%) and women (38.7%), with the female labor force representing only 32.9% of total labor force in 2020 (OECD). The representation of women in decision-making positions remains very limited. Female representation in parliament is low (17.3%). In the same vein, the percentage of women in senior managerial positions is only 9.05%.

The gender pay gap is 12.9% and motherhood pay gap is 29.6%. The lack of daycare services for preschool children, and an adequate institutional framework for providing care to sick and elderly people restrict women's participation in the workforce. School enrollment rates for girls need to be improved, especially in secondary education: 93.5% of women are literate, compared to 98.8% of men. The gross enrollment ratio reached 94.9% for primary, 104.5% for secondary and 113.2% for tertiary education.

Equal opportunity

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Early and forced marriages remain a major concern, as does discretionary mitigation in court cases of violence against women, possibly mirroring sexist prejudices and victim blaming.

Progress has been made in combating discrimination on the basis of racial or ethnic origin, religion or belief, disability, age, and sexual orientation. However, there is still ample room for improvement. Although written anti-discrimination regulations do exist, members of religious and ethnic minorities continue to be excluded from positions in the civil service and army.

11 | Economic Performance

Domestic and international tensions, and especially the uncertainty surrounding the COVID-19 pandemic resulted in substantial fluctuations in Turkey's economy over the review period.

In 2017, annual real GDP growth was 7.4%. This fell to 2.9% in 2018 and to 0.9% in 2019. Total GDP fell from \$859.0 billion in 2017 to \$761.4 billion in 2019. GDP per capita (PPP) decreased from \$28,545 in 2018 to \$28,423 in 2019. This meant that the GDP per capita growth rate decreased abruptly from 5.8% in 2017 to -0.4% in 2019 (OECD).

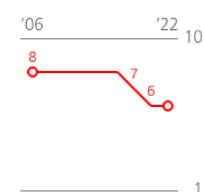
Following the record devaluation of the Turkish lira in the first half of 2018, the economy rebounded from this currency turbulence and the resulting recession faster than expected due to expansionary policies and an abrupt increase in the exports while imports declined strongly. Turkey's exports reached above 30% of GDP in 2019, covering 106% of the import of goods and services. While Turkey's exports reached an all-time high in 2019 with \$180.46 billion, its imports dropped by 8.99% to reach \$210.4 billion. In 2019, the export/import coverage ratio was 85.8%, up from 76.5% in 2018. This led to a record contribution of foreign trade (4.7 points) to the country's economic growth rate, the largest contribution seen in 18 years in Turkey.

Capital flows to Turkey have been volatile. Although foreign direct investment flows have been the most stable, they continued to decrease (the inflow of net foreign direct investment decreased from 1% of GDP in 2017 to 0.7% of GDP in 2019). Public debt/GDP has fallen consistently since 2009. In 2009, it stood at 43.9%, but fell to 27.9% in 2017. However, this trend reversed from 2017 onward, as public debt has risen from 30.17% in 2018 to 41.67% in 2020.

Turkey's long history of current account deficits continues to be a source of concern after the lira touched record lows and the central bank's foreign exchange reserves have melted away. Ankara has recorded a current account balance of -2.66% of GDP in 2018 and 1.16% of GDP in 2019 (World Bank).

Output strength

6



After a relatively stable consumer price inflation (CPI) rate of around 8% for more than a decade, CPI has been higher and more volatile since 2017. Successive fluctuations in the lira resulted in an increase in the prices of imports, putting upward pressure on the inflation rate (16.33% in 2018 and 15.18% in 2019).

12 | Sustainability

Although Turkey has aligned some of its legislation in environmental policy with the European Union, the country needs to make progress in several areas, especially waste management, wastewater treatment and industrial pollution.

The Kanal İstanbul Project, the proposed artificial sea-level waterway that would connect the Black Sea and the Sea of Marmara, is expected to cause major environmental harm to adjacent regions.

Air pollution remains a serious problem. The country has relied heavily on fossil fuels, particularly coal, to meet its increasing energy demands. Its CO₂ emissions increased by 190% between 1990 and 2020.

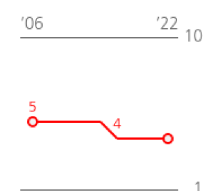
In 2019, a review of existing natural sites was initiated. Since then, a number of changes to the status of such protected areas have been implemented, including the removal of the National Park of Cappadocia from the list of national parks.

While Turkey signed the Paris Agreement on Climate Change in 2016, the country has taken no further steps to ratify the agreement. Several large infrastructure projects, such as micro hydropower plants and the third Bosphorus bridge, were deliberately excluded from national environmental impact assessment procedures. The erosion in the rule of law has also impacted environmental issues, in particular with regard to arbitrary court decisions. The government generally prioritizes economic development over environmental protection. The new mega airport north of Istanbul is an illustration of the government's complete disregard of environmental concerns: over 2.5 million trees were destroyed during its construction.

Significant problems remain in education in terms of both quality and access. Although overall funding has increased over the past decade, public primary and secondary education are underfunded compared to other OECD countries. Total expenditure on education was TRY 214.6 billion (5.8% of GDP) in 2018, representing an increase of 21.6% year-on-year. However, Turkey spends only \$4,134 per student between the start of primary and end of tertiary education, which is less than half of the OECD average of \$11,200. Secondary education institutions are particularly underfunded, receiving \$3,510 per student, approximately one-third of the OECD's average of \$10,000.

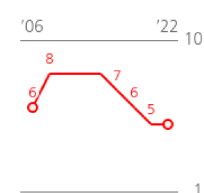
Environmental policy

4



Education policy / R&D

5



The literacy rate reached 96.2% in 2017 and, while Turkey scored 0.731 in the U.N. Education Index, it continues to perform poorly in “educational attainment” in the Gender Gap Index, ranking 113 out of 144 countries in 2020. The net enrollment rate for preschool education increased from 66.9% to 68.3% between 2018 and 2019. For the same period, the net enrollment rate in primary schools (first four years) increased from 91.5% to 91.9%, but fell for lower secondary schools (second four years) from 94.5% to 93.3%, according to the European Commission (2020).

Turkey has 206 universities, but there is a profound disparity in the quality of education offered by them. After the 2016 coup attempt, thousands of lecturers and teachers were dismissed. Some schools and universities were closed altogether. During the review period, Şehir University in Istanbul was closed by a presidential decree of June 30, 2020, on the basis of its alleged financial inability to continue its activities. However, there are solid grounds for believing that the closure was politically motivated, as the university was founded by Ahmet Davutoğlu, former AKP prime minister, who founded his own party after a rift with Erdoğan.

On January 1, 2021, Erdoğan used an emergency decree from 2016 (KHK 676) to appoint Professor Melih Bulu as rector of Boğaziçi University. Bulu, an AKP member, stood as an AKP parliamentary candidate in 2015. He is the first rector chosen from outside the university community, which is a violation of the established rules and practices of university governance, since the 1980 military coup. Erdoğan’s attempt to infiltrate Boğaziçi University, one of Turkey’s last critical institutions, through the appointment of its rector is a serious blow to the few remaining critical and democratic institutions in Turkey. Furthermore, in January 2021, Turkish police brutally detained dozens of students who peacefully protested against the executive’s attempt to assert political control over Boğaziçi University. The police have conducted several home raids with guns drawn and detained protesters. Moreover, Boğaziçi’s LGBTQ+ students have been subject to harassment and hate speech from high-level officials, and a LGBTQ+ association at the university has been closed.

As of June 2020, only 602 out of 822 individuals known as “Peace Academics” were acquitted at trial, despite a Constitutional Court decision of July 2019. Despite their acquittal, the number of academics who have received compensation remains very limited. Furthermore, under the state of emergency, several academics, researchers and PhD students left the country. Although the government recently enacted several incentives to stop the brain drain, some 84,863 Turkish citizens emigrated in 2019, according to the Turkish Institute of Statistics. This number includes students, academics, businesspeople and well-educated upper middle-class citizens.

The widespread restrictions on the academic freedom continue to negatively affect research. In mid-April 2020, the amended Turkish Higher Education Council Law entered into force. The amendments introduced sanctions against academics in

relation to terrorism charges. This is expected to mark another major blow to academic freedom.

Turkey's scores improved in the 2018 OECD PISA (Programme for International Student Assessment) over previous years, but still remain relatively low in comparison with the OECD average for reading, mathematics and science. Regarding research and innovation, Turkey's expenditure on R&D increased from 0.86% of GDP in 2014 to 1.03% in 2018, but remained well below the government's target of 1.8% by 2023.

Governance

I. Level of Difficulty

Turkey's government faces several external constraints. The country's geographic location in the conflict-ridden Middle East poses security and humanitarian risks. Turkey is now home to approximately four million Syrian refugees (as of 2021). Turkey is also prone to earthquakes and insufficient rainfall.

Structural challenges and imbalances in Turkey's economy, and the dominance of consumption and construction over value creating sectors constitute two of the main constraints on increasing prosperity. Turkey's particular strengths, namely its population size, and relatively young and well-educated labor force, may become a weakness if the looming issue of youth unemployment is left unaddressed, especially in the aftermath of the pandemic. Further challenges include regional disparities between east and west Turkey, with deficient infrastructure found predominantly in southeastern and eastern Anatolia.

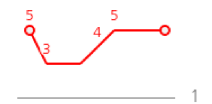
As of January 31, 2021, the Ministry of Health had recorded 2,477,463 confirmed cases of COVID-19, with 25,993 deaths and 2,362,415 recoveries. Tourism revenues have narrowed significantly (slightly over \$11 billion in 2020, approximately 70% less than the previous year). The economy came to a near sudden halt during the second quarter of 2020. However, fiscal, monetary and financial measures supported some of the most affected parts of the economy. Spending continued to increase and exceeded TRY 2.9 trillion (\$396 billion), a 10% rise. The Turkish health care system responded remarkably well to the COVID-19 pandemic and successfully prevented its most devastating consequences. According to the WHO, Turkey has one of the lowest case fatality ratios, particularly among people aged 65 and over (the high-risk group).

Turkish civil society has historically been weak, mainly due to the country's strong central government tradition. In the early years of the republic, civil society was largely state sponsored and aimed at diffusing the state ideology. With the transition to a multiparty system starting in the early 1950s and despite the increase in the number of CSOs, civil society activities remained apolitical, focusing mainly on sports or professional matters. Since the 1980s, CSO activities have diversified, and now address human rights, minority issues and women's rights. Turkey's accession process to the European Union, from 1999 onward, provided a renewed impetus to the development of Turkish civil society and led to a change in society's perception

Structural
constraints

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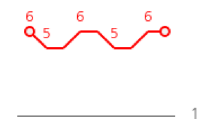
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Civil society
traditions

6

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of CSOs. Although the state apparatus continues to consider oppositional CSOs as a potential threat, especially since the failed coup in 2016, Turkish citizens “see civil society formation more as a right than a privilege allowed by the ruling authorities” (Center for American Progress, 2017). Currently, there are around 116,000 active associations and 5,158 foundations. Despite CSOs’ diversified activities and increased number, the 2020 State of Civil Society report by CIVICUS categorized Turkey’s civil society as “repressed.”

Membership in social groups, such as religious or citizenship groups, remains highly important. However, this sentiment of belonging to an inner group (“us”) feeds a low level of trust in social relations and tolerance of other groups (“them”), which leads to a low level of social capital.

Turkish society is deeply divided along ethnic (Kurds v. Turks), political (conservative nationalists v. modernists) and religious (Sunni Islamists v. secularists) fault lines. In the Kurdish–Turkish conflict, a renewed full-scale, violent confrontation erupted in July 2015, and continues (albeit at a lower intensity) in the form of clashes between Turkish security forces and the PKK mostly in the southeast of Turkey. The leaders and members of the pro-Kurdish HDP have experienced harassment and the threat of arrest. Secular segments of Turkish society remain concerned about the constant undermining and weakening of democratic institutions and civil liberties, and a parallel Islamization of Turkey under AKP rule.

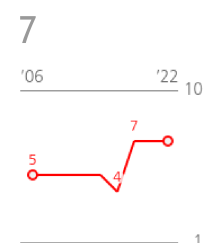
A survey conducted by İstanbul Bilgi University (2020) into the dimensions of polarization in Turkey revealed that the “desire to coexist in Turkey is very low” among different party supporters. The same survey suggests that there is no partisan differentiation concerning compliance with the government’s coronavirus measures, although different party supporters rely on different sources of information about COVID-19.

II. Governance Performance

14 | Steering Capability

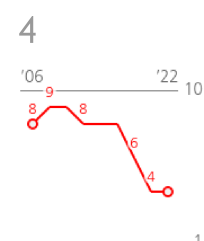
The high frequency of critical elections between 2014 and 2019 gave way to short-term electoral promises rather than long-term political planning. In the run-up to the presidential and parliamentary elections in 2023 (a highly symbolic year as it marks the republic’s 100th anniversary), the government’s main priority is to preserve its electoral base despite domestic turmoil and economic stagnation. Many of the ambitious goals previously set for 2023 in the field of economic policy (become a top 10 global economy), energy (start operating nuclear power plants and reduce energy consumption), foreign policy (become an EU member state and an

Conflict intensity



Question Score

Prioritization



influential regional power), transport and tourism have become empty signifiers. Although the president vaguely refers to Turkey's 2023 goals in his discourses, they have become unspecifiable goals that are open to interpretation, such as references to a "prosperous Turkey by 2023." This is mainly because domestic and foreign policy challenges led the executive to replace them with short-term electoral interests in the run-up to the next elections.

Under the priority-setting of omnipotent President Erdoğan, the executive chose to take Turkey further away from its previous aspiration to join the European Union and the accompanying reform agenda. In its rhetoric, the government insists that it remains committed to democracy and to the ideal of EU membership, but the AKP's previous long-term transformation efforts have been replaced by short-term priorities dictated by electoral concerns. With the rising tide of nationalism, the executive has adopted a more overtly confrontational approach to the European Union.

In addition, the Syrian civil war, tensions with Russia and the United States, and the economy's dependency on FDI have further limited the government's capacity to set strategic priorities and maintain them over extended periods of time.

While the health and social measures adopted in response to the COVID-19 crisis by the government have been effective according to the Turkish authorities, the government's economic plans have been altered as Turkey remains exposed to rapid changes in investor sentiment due to high external financing needs, which have been exacerbated by the pandemic.

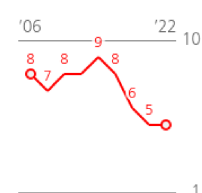
Although the previously announced Vision 2023 has been largely abandoned due to internal and external factors, the president has attempted to revitalize the vision. For instance, in November 2020, the president announced that Turkey was entering a new reform period with a view to making radical reforms in the economic, political and social spheres. The executive's renewed motivation for reform is largely driven by economic constraints, which have been exacerbated by the pandemic, and aims to create a more positive investment climate. This is because the currency crisis in 2018 and the current COVID-19 pandemic have negatively impacted the economy, altering the government's previous objectives in terms of increasing economic growth, and lowering the inflation and unemployment rates. However, these stated aims, especially in the areas of human rights and judicial reform, have largely been undermined in practice and remain purely rhetorical.

In the same vein, although the executive remains rhetorically committed to the idea of EU membership, the AKP has completely abandoned those domestic reforms that were related to the European Union's accession process conditions.

The government continues to successfully inaugurate large infrastructural projects, such as Istanbul's new airport, Turkey's largest mosque at Üsküdar, the further extension of high-speed rail lines and Kanal İstanbul. These gigantic construction

Implementation

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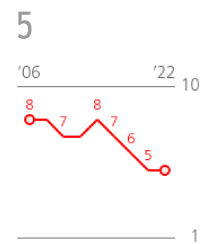


projects are both a matter of prestige for the president, symbols of the “New Turkey” that will please AKP voters, and instruments for reanimating the construction sector.

In response to the COVID-19 pandemic, the government adopted a series of restrictions, such as a partial curfew and temporary travel restrictions. Schools and universities have been closed, and visits to art places and museums suspended.

In the past, Turkish decision-makers have shown considerable readiness to learn. This learning influenced leading Turkish politicians’ plans for the future of the country, as well as the AKP’s manifestos in general and local elections. However, Turkey’s transition to a presidential system has ended this. The new system revolves around a president who holds almost absolute decision-making power in domestic as well as foreign politics. This “à la Turca” presidential system represents all the features of an arbitrary and old-fashioned authoritarian system, which leaves little room for alternative views and criticisms, and undermines the participation of high-level bureaucracy in decision-making. In the absence of a critical media, pluralistic civil society and vivid opposition, there is no independent source of effective monitoring or evaluation of the executive. The executive’s response to the pandemic, especially in the second phase after May 2020, has been an illustrative of this, as the government took and implemented decisions concerning the pandemic without consulting opposition parties, and by silencing opposing views, including the Turkish Medical Association.

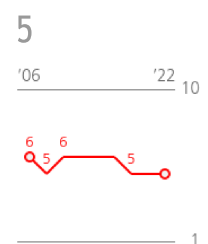
Policy learning



15 | Resource Efficiency

The purge after the 2016 coup and the following shift to a presidential system in 2018 brought about a major restructuring in public administration, which had a negative impact on policy development, the accountability of public administration and human resource management. Recent appointments by the executive further politicized the civil service, which is increasingly marked by partisanship. This has resulted in an overall decline in the efficiency, capacity and quality of public administration, as many employees are underqualified and lack the necessary skills for their jobs.

Efficient use of assets



People employed in the public sector (as a share of total employment) increased from 13.8% in 2016 to 15.4% in 2018. The proportion of women in public service was 38.4%, while the percentage of women in senior managerial positions was only 9.05% in 2019. The employment rate of staff with disabilities has not yet met the official target of 3%.

As for budget efficiency, according to the European Commission, no progress has been made in the development of an overarching public financial management reform program. Parliamentary engagement and oversight over the budget remain

limited, rendering overall budget planning, implementation and auditing less transparent. The role of the Ministry of Finance and Treasury was further relegated to executive and regulatory functions only, with the ministry losing its policymaking responsibilities. Even though the level of government debt is still modest, it rose during the review period, staying firmly above 30% of GDP.

With the concentration of power in the presidency, decision-making on a range of issues takes place in the presidential palace. These decisions cover every sphere of domestic politics, including economic management and foreign policy. Although this excessive concentration of power has increased policy coordination among central government institutions, transparency and accountability have sharply declined. Besides, one-man-rule and arbitrary decisions hinder coherent long-term policies. Finally, in international relations, Turkey has started to adopt a more assertive balancing strategy, and the boundaries between Turkey's external and domestic politics have eroded. As a result, Turkish foreign policy has become more unpredictable, rendering Turkey an unreliable partner in the eyes of the United States and European Union.

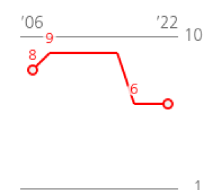
Corruption remains a widespread structural problem in Turkey. The corruption allegations involving several members of Erdoğan's family and cabinet in 2013, and subsequent harsh measures to persecute investigators, halted Turkey's anti-corruption efforts.

One fundamental problem is the lack of both an independent and preventive anti-corruption body, and inter-institutional coordination for combating corruption. According to the European Commission, Turkey has failed to implement the majority of measures envisaged in the 2016–2019 anti-corruption strategy and action plan. Although Turkey is party to all international anti-corruption conventions, including the United Nations Convention against Corruption (UNCAC), the lack of political will is the main impediment to the implementation of these conventions. In the same vein, Turkey has failed to implement most of the Council of Europe's Group of States against Corruption (GRECO) recommendations.

In the area of public procurement, large gaps remain in Turkey's alignment with the EU *acquis communautaire*. Although the Public Procurement Law (PPL) is partly aligned with the 2004 EU Public Procurement Directives, several sector-specific exceptions inserted into the PPL resulted in a corruption-prone area in public finances. Furthermore, the independence of the Board of the Public Procurement Authority, which is in charge of implementing the PPL and monitoring the public procurement system, is impaired, since the president of the republic is authorized to directly appoint its president and members. This opens the door to conflicts of interest and a lack of transparency (European Commission, 2020).

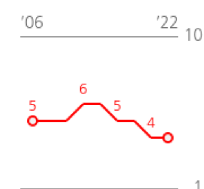
Policy coordination

6



Anti-corruption policy

4



In a nutshell, the centralization of the administration in the hands of the president has created a system in which there is less transparency in the overall management of state affairs, and an absence of a healthy system of checks and balances over the executive, which makes the whole system more prone to corruption.

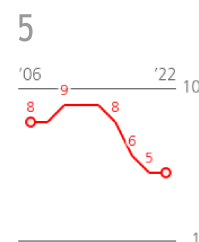
16 | Consensus-Building

Support for democracy remains high in Turkey (World Values Survey, 2018). However, there are different conceptualizations of democracy among different segments of society as well as among political parties. While the government and the ultra-nationalist MHP (since 2016 AKP's close ally) advocate a majoritarian understanding of democracy, the opposition subscribes to a more pluralistic version. These ideological cleavages and unreconcilable preferences have led to polarization, which has been further accentuated by the new presidential system that requires a presidential candidate to secure at least 51% of the total vote to be elected. The president has fueled this polarization by adopting populist rhetoric that divides the country into two camps ("us" v. "them"). Although opposition parties remain committed to democracy and agree on the need to achieve a change in government via democratic elections, the executive's rhetoric and majoritarian governance model further aggravates societal fault lines, which in turn leads to political instability. Inter-party dialogue in the parliament and reconciliation among different groups in Turkish society remain very limited. In recent years, the government has adopted a harsher policy vis-à-vis the country's Kurdish minority, and the reconciliation process has been replaced by confrontation and conflict.

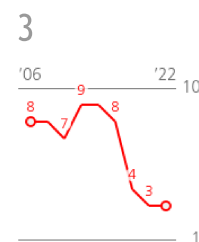
There is broad consensus on the desirability of a market economy. However, considerable conflict exists over the details of economic organization, especially since the transition to a presidential system, which grants the presidency a monopoly on decision-making. While the concentration of power in the excessively powerful executive renders reconciliation and consensus-building difficult, the new governance model continuously sidelines opponents in the decision-making and strategic planning processes of both the economy and political system.

After the military was brought under firm civilian control following the coup attempt in 2016, there is no longer any anti-democratic veto power. However, Turkey's exit from parliamentary democracy, and its transition to a presidential system in 2018, accelerated the country's autocratization process – the executive is thus the largest anti-democratic actor. A few remaining liberal-democratic actors and reformers in Turkey lack sufficient power to reverse the current autocratization of Turkey, which is led by a democratically elected president.

Consensus on goals



Anti-democratic actors



Over the last decade, the government has increasingly become party to ethnic, religious and ideological conflicts, and has exacerbated them. This was particularly observable during the 2013 Gezi Park protests in Istanbul. Since then, the government has pursued a successful securitization policy and labeled any form of opposition an attempt to destroy the Turkish republic's achievements. The coup attempt of July 2016 provoked new conflicts. And the transition to a presidential system has accentuated the deep polarization in Turkish politics and society.

The executive's frequent use of populist narratives further polarizes Turkish society and hinders inter-party dialogue and societal reconciliation. The president's rhetoric continues to present the opposition, and dissident groups and individuals as antagonists in a battle between "us" (the democratically elected government and those who vote the AKP) and "them" (those who attempt to damage the Turkish economy, the country's international image and democracy). The broad anti-terrorism provisions have become a state tool for suppressing any critical voice in the country. Furthermore, the executive's divisive and polarizing rhetoric has become a systematic state instrument for legitimizing repressive policies, attacks on opponents and suppression of critical activities. This governance model further aggravates societal fault lines, which in turn lead to political instability. Inter-party dialogue in the parliament and reconciliation among different groups in Turkish society remains very limited.

The peace process with the Kurdish minority (which had seen tangible progress) has been completely abandoned. Since 2015, the southeast of the country has experienced numerous clashes between Turkish security forces and the PKK. Furthermore, Turkey has conducted several cross-border operations in Syria to contain the activities of the Kurdish People's Protection Units (Yekîneyên Parastina Gel, YPG), which is perceived by the Turkish government as a sister terrorist organization to the PKK. The pro-Kurdish party (the HDP) has been continuously targeted by the government. These have aggravated tensions between Turks and Kurds in Turkey.

During the review period, there has been further backsliding concerning civil society participation in the political process, and legislation affecting civil society has become increasingly restrictive in recent years. While the resources, activities and visibility of pro-government civil society organizations (CSO), particularly professional and economic interest associations, have continued to increase, CSOs critical of the government, especially human rights organizations and pro-democracy NGOs, have faced systematic intimidation, have been forced to close and their members have been arrested. Critical CSOs remain largely excluded from genuine legislative consultation processes.

CSOs do not have the capacity to hold Turkey's increasingly authoritarian government accountable. Since the state of emergency (July 2016–July 2018), prolonged arbitrary detention, arrests, ill-treatment, criminalization, intimidation,

Cleavage / conflict management

2



Civil society participation

2



public stigmatization, threats and aggressive rhetoric from senior government officials, and the recurrent use of bans on demonstrations all limit the space for civil society criticism. The arbitrary detention of Osman Kavala since November 2017 and the politically motivated convictions of human rights activists in the Büyükada case illustrate this.

A series of measures recently adopted by the executive are extremely worrying. The Law on Preventing Financing of Proliferation of Weapons of Mass Destruction, which was adopted in December 2020, gives the Ministry of Interior extensive powers to restrict and control the activities of non-governmental organizations.

There has been little practical progress in resolving two long-standing conflicts. The AKP government has been unable to deal satisfactorily with the issue of the massacre committed against the Armenians during World War I, although it has displayed greater openness than its predecessors. The 2009 protocols on the normalization of relations with Armenia were renounced by Armenia in March 2018. The Turkish Ministry of Foreign Affairs declared that the two protocols would, nevertheless, stay on the agenda of the Grand National Assembly of Turkey, hoping for a future resumption of relations. Despite progress, Turkish nationalists are still reluctant to use the word “genocide,” or to admit guilt or responsibility.

The Armenian Genocide Commemoration Day in 2019 suffered a setback for the first time in years. The Ministry of Interior continued interfering in the election process of the Armenian patriarch in Istanbul. In July 2019, the Constitutional Court decided that the state had violated religious freedom by interfering in and blocking the election of the Armenian patriarch. The court case against public officials allegedly involved in the killing of Armenian journalist Hrant Dink remains ongoing.

No progress has been made in settling the conflict with Kurds inside or outside Turkey. In 2009, the AKP government initiated a new process with a view to resolving Turkey’s Kurdish problem. These attempts, including the Kurdish peace process, have yielded no results. Turkey’s cross-border operations in Syria, the government’s harsh repressive measures against the HDP and its supporters, and the continued pressure on the cultural rights of Kurds have negatively affected the prospect of any reconciliation in the medium term.

To a minor extent, challenges for the non-Muslim and non-Sunni Muslim communities within Turkey continue. Even though the Turkish constitution accords all Turkish citizens equal rights and duties, members of these minorities continue to face considerable discrimination. The government has shown little inclination to reconcile with its opponents since the failed coup attempt of July 2016. Rather, it has responded with excessive severity. Most of the victims of the extensive purge during the state of emergency have not been re-instated or appropriately compensated for any harm caused, including loss of earnings.

Reconciliation

3



17 | International Cooperation

In recent years, Turkey started to use a more assertive balancing strategy in foreign policy to further its interests. Turkey started to pivot between major actors (usually between the European Union, the United States and Russia) with a view to obtaining concessions or negotiating more favorable agreements. In this respect, Turkey opts for building flexible alignments guided by short-term interests and pragmatism rather than pursuing a well-planned, consistent and values-driven foreign policy.

As of January 2021, while Turkey's accession to the European Union seems unlikely, the European Union and Turkey continue their dialogue and cooperation in areas of joint interest, including energy, transport and economy and trade, counterterrorism and refugees. However, these relations have become increasingly more difficult to manage for both sides as the fundamental nature of EU–Turkey relations has radically changed: Neither is the European Union in a position to offer Turkey a credible membership perspective, nor is the Turkish ruling elite ideologically committed to the membership ideal any longer (Gürkan, 2020).

During the COVID-19 pandemic, the European Union redirected EU funds worth €83 million to support the COVID-19 response in Turkey, notably to support the Syrian refugees in Turkey. Turkey, meanwhile, provided medical assistance to 156 countries and pledged €75 million to support the search for a vaccine in the COVID-19 Global Response Summit in May 2020.

Turkey's membership in the North Atlantic Treaty Organization (NATO) and the Organization for Economic Cooperation and Development (OECD), the Council of Europe (CoE), the Organization for Security and Cooperation in Europe (OSCE) and the G20, combined with its status as an EU candidate give Turkey a “label of credibility.” This is consolidated through its memberships to the Organization of the Islamic Conference, the Black Sea Economic Cooperation, Economic Cooperation Organization, the Developing-8 Organization for Economic Cooperation, the Cooperation Council of Turkic Speaking States (Turkic Council), Asia Cooperation Dialogue and MIKTA (Mexico, Indonesia, Korea, Turkey and Australia). Turkey could thus serve as ideal connector between the “OECD world” and the “Middle East/Islamic world.”

The Turkish government's image has however been severely tarnished. With the concentration of power in the president's office, the conduct of foreign policy has become more politicized and dictated by short-term interests at the expense of long-term strategies drawing on the extensive experience and diplomatic tradition of the ministry of foreign affairs. This combined with the rising nationalist tide in the country, Turkish foreign policy has become less predictable and more aggressive and conflict-prone.

Effective use of support

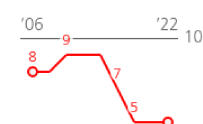
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1

Credibility

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The perception that Turkey cannot be considered anymore as a credible and reliable partner has been consolidated in the transatlantic hemisphere because of main four developments that characterized Turkish foreign policy (TFP) during the review period:

First, TFP has become more unilateral. Turkey is inclined to take unilateral action in its region as exemplified by Turkey's drilling activities in the eastern Mediterranean, military operations in northern Syria or its involvement in Libya. These operations have been launched in complete disregard for its partners and in the absence of any consultation with the allies in NATO, the European Union or any other regional actors. Operation "Peace Spring," started in Northern Syria in October 2019, led to a deterioration in Turkey's relations with the European Union, the United States and countries in the region. A number of EU member states henceforth halted arms export licensing to Turkey.

Second, Turkey started to use a more assertive balancing strategy in foreign policy to further its interests. TFP under Erdoğan follows a balancing strategy characterized by pivoting between major actors (usually between the European Union, the United States and Russia) with a view to obtaining concessions or negotiating more favorable agreements. In accordance with this approach, TFP's line is increasingly marked by balancing strategies (*rapprochement* with one actor at the expense of another), blackmail, intimidation, provocation, bluffing, etc., thus rendering Turkey an unpredictable and unreliable actor in international relations. A case in point is Turkey's decision to purchase from Russia S-400 surface-to-air missile batteries, which caused interoperability problems with NATO systems. In the same vein, the government's decision in March 2020 to actively encourage refugees to take the land route to Europe through Greece, in contravention of Turkey's commitments under the 2016 EU-Turkey refugee statement, is an illustrative example of the government's provocative foreign policy style.

Third, Turkey has started to rely increasingly on the use of force instead of diplomacy to solve international problems. While Turkey's growing armament industry is reinforcing its increasingly aggressive foreign policy, the growing nationalist tide provides a favorable ground for Turkey's hostile conduct in foreign policy.

Fourth, the monopolization of foreign policy decisions in the "Presidential Palace" and the fusion of domestic politics and foreign policy agendas have resulted in a less institutionalized foreign policy rendering TFP vulnerable to domestic changes.

During the COVID-19 pandemic, the government has made efforts to repair its international prestige by immediately providing humanitarian aid to third countries, including EU member states. It required considerable applause for its internal and external response capabilities, including the production and distribution of personal protective equipment (PPE). However, restoring Turkey's reliability in the eyes of the United States and EU member states will require more than these symbolic gestures.

On the good side, Turkey has deepened its African partnership policy and launched the “Asia Anew” initiative with the aim to improve ties with Asian countries. Through this web of relations, Turkey aspires to bolster its security and economic development.

Otherwise, however, Turkey’s neighborly relations have become increasingly conflictive. In October 2019, Operation Peace Spring in northeast Syria proclaimed as objectives the removal of the YPG from the border region and establishing a buffer zone to resettle Syrian refugees. Separate agreements with the United States and with Russia, resulted in the creation of a Turkish-controlled area going 30 km deep into the Syrian territory. The situation in the Idlib region deteriorated in the beginning of 2020 and alarmed Turkey in view of a potential new humanitarian crisis and refugee influx. Turkey launched Operation Spring Shield days after airstrikes killed 34 Turkish soldiers. In March 2020, Russia and Turkey reached a cease-fire agreement that stabilized frontlines in north-west Syria. Turkey collaborates with the international community concerning the voluntary return of Syrian refugees.

Tensions in the Eastern Mediterranean have further escalated as Turkey challenged the right of the Republic of Cyprus to exploit hydrocarbon resources in its Exclusive Economic Zone. Turkey deployed drilling and seismic vessels, accompanied by the Turkish Armed Forces, in the Cypriot territorial zone. In reaction to Turkey’s unauthorized drilling activities, the European Union adopted a framework for targeted measures against Turkey. The consultation process with the European Union is ongoing.

Concerning the settlement of the Cyprus issue, while Turkey continues to support the talks between the leaders of the two communities and the efforts of the U.N. secretary-general, the government’s position has shifted from supporting the reunification of the island to a settlement between “two separate states.” In September 2019, Turkey announced its intention to open the fenced area of Varosha and to open a consulate general in Famagusta while the city of Varosha is protected by a 1984 U.N. Security Council (UNSC) resolution, which states that the empty town can only be resettled by its original inhabitants. Turkey’s decision received international condemnation. Turkey has not fulfilled its obligation to ensure full and non-discriminatory implementation of the Additional Protocol to the Association Agreement and has not removed all obstacles to the free movement of goods, including restrictions on direct transport links with the Republic of Cyprus.

Relations with Greece also remain extremely tense. Among several bilateral issues, the delimitation of the continental shelf keeps poisoning bilateral relations between the two countries. The threat of a *casus belli* in relation to the possible extension of Greek territorial waters, as accepted by the Turkish Grand National Assembly in 1995, is still present. The signing of bilateral Memorandum of Understanding on the delimitation of maritime jurisdiction areas between Turkey and Libya in November

Regional cooperation

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2019 has deteriorated tensions in the Eastern Mediterranean as, according to Greece, it ignored the sovereign rights of Greek islands in the area. As noted by the European Commission progress reports on Turkey, “Greece and Cyprus continue to complain about repeated and increased violations and an increasing militarization of their territorial waters and airspace by Turkey.” Nevertheless, the two countries have been able to cooperate over migration despite the March 2020 crisis, when Turkish government encouraged refugees to take the land route to Europe through Greece.

Turkey has a long-standing conflict with Armenia over Turkish involvement in the Armenian genocide during World War I. Turkey has consistently supported Turkic and Muslim Azerbaijan in its struggle with Armenia over the control of the Nagorno-Karabakh enclave and has been directly involved in the fight between Armenia and Azerbaijan in 2020. The Turkish-Armenian border has been closed for many years. The 2009 protocols on normalization of relations with Armenia were not ratified and were renounced by Armenia in March 2018.

Strategic Outlook

The wish list for Turkey's upcoming 100th birthday in 2023 is long. The implementation of a presidential system has led to an erosion in the rule of law, fundamental freedoms and civil liberties. Turkish society is deeply divided between AKP supporters, and those who advocate for a more democratic and socially just governance system. Therefore, policies for developing a pluralistic society and a consensus culture should be prioritized, along with a reinstitutionalization of competitive elections, an independent judiciary, a free media and a vibrant civil society. The release of political prisoners is another essential element for initiating Turkey's normalization.

Turkey's interventions in northern Syria, and the government's repressive measures against HDP members in the aftermath of the 2019 local elections, transformed the outlook of the Kurdish political movement in Turkey. The government should take steps to de-escalate current tensions and end the alienation and marginalization of Kurdish citizens and organizations.

Turkey's past rapid economic growth was due to the favorable international financial context for developing countries. The prospect of becoming a member state of the European Union formed the main anchor for the Turkish economy. However, as EU membership no longer appears a viable option for Turkey, and given the low level of international investor confidence in the Turkish political and economic system, the Turkish economy remains vulnerable. This situation has been further exacerbated by the COVID-19 pandemic, which has revealed the clear need for structural and institutional reforms that, among other things, ensure the independence of regulatory authorities and address structural imbalances in the Turkish economy in order to achieve medium-term stability.

Another salient issue in Turkish politics is the politicization and ineffectiveness of public administration. Turkey needs to restore a merit-based competitive public administration promotion system; ensure the transparency and accountability of public administration, oversight over public spending, and the independence of regulatory authorities (particularly the central bank); and launch a comprehensive public administration reform strategy.

Turkish foreign policy has become more assertive, unilateral and prone to the use of force due to domestic developments and the changing international context (e.g., Turkey's clashing interests with the West). Given its geostrategic location, its size and involvement in conflicts in adjacent countries (Armenia and Azerbaijan as well as Iraq, Libya and Syria), Turkey will no doubt continue to play an important role in the region. In this respect, although Turkey might be inclined to pursue a more independent foreign policy and choose to engage with other authoritarian countries (e.g., Russia and China), international platforms (e.g., NATO and the European Union) should be used to ensure Turkey's involvement in democratic and multilateral initiatives.