

Corruption: The Turkish Challenge

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A Stanford political science professor starts her first lecture with this question: What is most important for developing countries—stability, participation, economic growth, equity or justice? Those who raise their hands for stability are exclusively from developing countries, while those who value participation and equity tend to be mainly from the United States or Europe. Being born in Turkey, I had also once raised my hand for stability.

Throughout the Cold War, stability was indeed the most important consideration for the countries of the Western bloc. Human rights violations, military coups and massive corruption were not preeminent subjects for international consideration and action. During the past decade, however, as the world became more interdependent, a consensus gradually emerged that stability, without an institutionalized democratic system and the requisite checks and balances, is simply not enough. Consequently, corruption began to be viewed as the root of many political, economic and social problems.

In the old bipolar world, a crude division of "us" and "them" meant that membership in one bloc was sufficient. As long as rulers were able to deliver on their alliance obligations, they were free to do whatever they wanted domestically. However, globalization—based on free markets and the unrestricted flow of capital—requires rule of law and basic regulated markets that safeguard private property, enterprise and capital. The global

market has no place for closed economies that hide behind walls of regulations and tariffs, privileged and politically connected elites or domestic cartels and entangled bureaucracies that have no interest in giving up traditional and lucrative access to wealth. In the past, to combat corruption, the World Bank and the IMF would prescribe macro and microeconomic policies to governments and the United Nations would develop other policy recommendations. Nevertheless, many countries, even some experiencing spectacular economic performance, became failed states due to their inability to tackle corruption. More recently, partly because of the work of Transparency International and the focus on corruption by other NGOs, both the World Bank and the IMF have begun to recognize that creating efficient practices that diminish corruption is integral to sustainable development. Similarly, increased application of the United States Foreign Corrupt Practices Act and the anti-corruption program under the Organization for Security and Co-operation in Europe, has ensured greater attention to this cancerous issue.

This paper will focus on two aspects of corruption in Turkey. First will be the corruption emanating from Cold War-era state structures. Residual and obsolete Cold War forces, whose related clandestine activities were once valued, have since become a part of the commercial underworld. A second, more widespread form of corruption relates to the abuse of broad, discretionary powers by public officials, with little accountability. This involves an unhealthy recipe where commercial interests, resulting in biased government tenders and privatization processes, drive media, business and politics. When countries, such as Turkey, with weak law enforcement and lack of transparency undertake massive economic reforms that involve lucrative privatization deals, corruption may eat away at the system.

TURKEY'S CHALLENGE

Located to the south of the former Soviet Union, and at the crossroad of Europe and Asia, Turkey enjoyed a role as a key NATO ally throughout the Cold War. As a secular Muslim and democratic polity in the Middle East, Turkey has been touted as the model for the rest of the Islamic world. A few years ago, the United States identified Turkey as one of the top emerging markets, attributable to its economic growth potential, geo-political location and its large and dynamic population of 63 million people—of

which currently half are below the age of 30.¹ The Turkish economy, however, has been infested with chronic inflation and high budget deficits over the last 25 years, which has not only disrupted macroeconomic balances, but also eroded social structures and worsened income distribution. Turkey is one of the few countries in the world left with persistent high inflation. This, in turn, has prevented the economy from fulfilling long-term growth potential, and indirectly created a fertile ground for corruption.

Despite the state's inability to deal with the multiple challenges of corruption, Turkey has not hit rock bottom. However, the electorate has begun to demonstrate its discontent with corruption: They voted for the Islamist Welfare Party in 1995, and the Democratic Left Party and the Nationalist Action Party in the April 1999 elections, attributable mainly to their honest and clean reputations.

For many decades, Turkey has simply been "muddling through" in the effort to eliminate corruption. While many Turkish governments vowed to fight it, none have adequately addressed the problem. Vested interests have been too closely tied and the belief has been that bringing one element down could have led to the collapse of the entire Turkish system. With US\$200 billion official gross national product and, at least another US\$100 billion unrecorded or untaxed production, Turkey is now the world's 17th largest economy. While its shadow economy has so far allowed Turkey to prosper, it has also isolated the country from Western standards of rule of law and transparency. In the new global system, Turkey will not be able to sustain corrupt practices.

The choices Turkey makes will have significant implications. As President Clinton underlined in a recent speech, "the coming century will be shaped in good measure by the way in which Turkey itself defines its future and its role today and tomorrow. For Turkey is a country at the crossroads of Europe, the Middle East and Central Asia; the future can be shaped for the better if Turkey can become fully a part of Europe, as a stable, democratic, secular, Islamic nation."²

¹ Turkish State Institute of Statistics, *Temel Ekonomik ve Sosyal Göstergeler* at www.die.gov.tr; Embassy of the Republic of Turkey, Washington DC, "Turkey: A Promising Outlook" at <http://www.turkey.org/business/outlook.html>.

² Quandt Lecture, Georgetown University, 8 November 1999.

The current challenge for Turks and their allies is to create the necessary institutions to enable Turkey to fulfill its potential. Turkey can either be a Western-oriented fulcrum in the region, or join the pariah states. The 150-year old process of Westernization, combined with recent steps toward the European Union (EU), suggest that Turkey has crossed a point of no return. The question is how quickly this transformation will take place and whether it will be managed without unnecessary upheavals.

FROM EMPIRE TO REPUBLIC

Corruption in Turkey is tied to its history as a rent-seeking and rent-providing state. The Ottoman sultan monopolized national assets—mainly the land—and distributed them temporarily to loyal subjects. Political mistakes of prime ministers not only resulted in their execution, but also in the confiscation of their accumulated wealth. It was no coincidence that the civil servants' wealth amassed only during their tenure. For the sultan, permanent wealth transfer might lead to alternative power circles that no Ottoman sovereign could tolerate. This prevented the accumulation of private capital that could have enabled the emergence of a more liberal political and economic tradition. Such an economic system was suitable for an expanding empire, which could finance itself with revenue from new territories. When the Empire began to decline, however, old ways of channeling wealth became an unbearable burden.

In the last years of the empire, the Committee of Union and Progress (CUP), comprised of Western-oriented but nationalist army officers, overthrew Sultan Abdülhamit to cleanse the system and try to save the Empire from eventual decline. Since then, the inability of political leaders to govern, and the tradition established by the CUP to periodically cleanse the system through coups, have been a permanent feature of Turkish political life.

When Mustafa Kemal Atatürk created the Turkish Republic in 1923, he wanted to advance industrial growth, while also creating a strong military and bureaucracy that would be loyal to the Republic. Land became a property of the treasury, and the new state assumed another imperial tradition of rent-seeking. Those close to Atatürk's party—the Republican People's Party—received economic benefits. While Oriental culture has always functioned with a little *bahsis* (tip), it is noteworthy that neither Atatürk, nor his successor, İsmet İnönü, was accused of personal

corruption. Nevertheless, since only those supporting the Republican People's Party were able to procure land and industrial benefits, the rest of the population grew resentful.

When Turkey held its first free multi-party election in 1946, those who were previously excluded from the system and were unhappy with the Republican People's Party's corporatism joined together to form the Democrat Party. The next election in 1950 transferred power from the Republican People's Party to the Democrats; but the end of the single-party system only changed the faces and the system continued as usual. The supporters of the Democrats also wanted to reap the benefits of state power. The small businessmen of Anatolia and the landowners who had supported the Democrats demanded that the new government pay their dues. These supporters thereby became the new pressure group, replacing the traditional supporters of the Republican People's Party who had held that role.

In the 1950s, the Marshall Plan introduced US dollars into the Turkish economy for the first time, which allowed the government to launch major infrastructure projects. Inevitably, the contractors and benefactors of these projects were Democrat Party supporters. State control of the banks, foreign trade and import permits enabled the politically connected to prosper. However, the expansion was not sustainable and the Turkish economy faced massive currency devaluation and deep economic crises, which led to growing political tension.

Corruption was one of the motivations for the first military coup in 1960. At the time, inflation was eating away at military salaries. A year after the coup, the military *junta* hanged Finance Minister Hasan Polatkan, Foreign Minister Fatin Rustu Zorlu (who was known as "Mr. Five Percent") and Prime Minister Adnan Menderes, in part for corruption. The use of the gallows may have been intended to end the fraudulent system, but things did not change.

With the 1965 elections, power went to the populist Justice Party, the successor to the Democrats. The United States was supportive of their liberal and anti-Communist platform, which helped to generate generous World Bank loans and fueled economic growth. The infrastructure development projects, which started under the Democrats, expanded under Prime Minister Süleyman Demirel's entrepreneurial leadership. Interstate highway networks were constructed throughout Anatolia. Large construction teams

came from the United States to build dams and irrigation projects. Again, only Justice supporters benefited, as Demirel strengthened his voting base. Urbanization and massive migration into large cities helped areas that contained roads to prosper.

State-led Turkish industrial growth, modeled after the popular 1960s import substitution model, occurred behind high customs barriers. The Justice Party government would grant incentives to certain Turkish companies to build cars, for example, and restrict the import of other cars. The state was thus able to secure the market in certain industries for these groups. Selected families were given the financial support to build up local industries; in return, they supported the Justice Party.

Once again, those who were previously excluded from the system grew increasingly resentful. Moreover, economic growth was not sustainable, since generous state subsidies, targeted to attract the rural vote, had expanded beyond control. The state enterprises that formed the industrial base were not necessarily profitable or competitive. Turkey's import-substitution policy had created its own demons. The artificial exchange rate, full state control over foreign currency and state-controlled restrictive foreign trade led to high inflation, increased migration to the cities and a growing working class that increasingly demanded a better standard of living.

Not surprisingly, Demirel was removed by a second military coup in March 1971 amidst social disorder. The March 1971 ultimatum to the government stated:

Parliament and the government, through their sustained policies, views and actions, have driven our country into anarchy, fratricidal strife, and social and economic unrest; made the public lose all hope of reaching a level of contemporary civilization, a goal set by Atatürk; failed to realize the reforms stipulated by the [1961] Constitution; and placed the future of the Turkish Republic in grave danger.¹

It concluded by asserting that a "strong and credible government" was needed to "neutralize the current anarchical situation" and restore the state. The military had once again stepped in to guard the system.

¹ See Feroz Ahmad, *The Turkish Experiment in Democracy, 1950-1975* (Boulder, CO: Westview Press, 1977) pp. 288-89.

After the 1971 coup, Bülent Ecevit took over the Republican People's Party from its veteran leader İnönü, and won the 1973 elections with a populist agenda (to be financed through subsidies). Similar to previous elections, those who were fed up with the patronage of the Justice Party, hoped to change the corrupt system. However, from 1974 to 1980, when the third coup took place, Turkey's path was one of desperation and extremist violence between the Left and Right—fueled by the constant crisis of the state-run economy. The fragile economy was hurt by the global OPEC oil embargo, which was followed by a subsequent rise in inflation. Foreign currency reserves became depleted; imports came to a standstill; raw material shortages further crippled the economy; and labor became restless and drifted toward extremism.

Inevitably, the shadow economy flourished with the rise of massive smuggling rings for cigarettes, whisky, drugs, gold and guns. Smugglers became sophisticated enough to service the basic raw material needs of the industries, by illegally importing raw materials, industrial chemicals and spare machine parts.

By the time of the coup in 1980, the government, once again led by Demirel, was in a fiscal crisis of three-digit inflation and negligible foreign currency reserves. In January 1980, aiming to break the vicious cycle, a new program of economic deregulation, inspired by IMF requirements, was launched to end state subsidies, free the foreign currency market, ease trade controls and move the economy toward liberalization. The objective was to secure economic growth through exports and expanded foreign trade. A bureaucrat named Turgut Özal was the architect of the plan.

The September 1980 coup came amid a blood bath in the streets, as the political feud became a sectarian, ethnic civil war. Moreover, the economic reforms of January had to be supplemented with hard political decisions that no democratic government could easily dare to undertake. These included a wage freeze, strike bans, de-unionization of labor and provision of lucrative incentives and subsidies to select politically connected industries. Although the new policy was essential, an unintended consequence was that it opened a new chapter in Turkey's history of corruption, introducing more sophisticated methods of fictitious exports, money laundering, real estate and land speculation and public contract pay-backs.

THE ÖZAL ERA

Turgut Özal's Motherland Party came to power under the November 1983 elections. Özal worked at the World Bank in the 1970s and upon his return to Turkey was instrumental in the Turkish government's decision to open the Turkish economy to the free market. Following the 1980 coup, the fixed exchange rate for the Turkish Lira, as well as tariffs and import substitution came to an end. Özal continued to accelerate the process of liberalizing the Turkish economy. However, as it progressed, corruption inevitably worsened since the necessary safety mechanisms, such as a strong and independent judiciary and accountability measures had been sidetracked. The traditionalist bureaucracy did not back Özal's liberal methods. Özal also lacked a decisive parliamentary majority and the political mandate to properly reform the state structure. For the sake of pragmatism, and speedy policymaking, Özal and his team sidestepped the established rules. One example of this type of "pragmatism" was to establish extra-budgetary unaccountable funds to finance social welfare programs and the defense industries. These accounts—funded by public revenue—were not audited by the central government. Indeed, International Monetary Fund officials are still trying to remedy these accounts as part of Turkey's year 2000 structural reform program. To his credit, Özal was initially intolerant of corruption. When Ismail Özdağlar, his minister of trade and close advisor was accused of corruption in 1984, based on tape recordings of the alleged bribe-bargaining, Özal dismissed him and sent him to court.

Meanwhile, Özal encouraged his bureaucrats to take advantage of economic liberalization by awarding government contracts to the new class of enterprising businessmen. Unfortunately, this unruly process established an unhealthy cycle. Businessmen who were close to the party were awarded tenders, and in return gave a percentage back to the bureaucrats. Since political fundraising in Turkey is neither transparent nor regulated, there have been allegations that the government ensured that its own supporters succeeded under the privatization efforts. Thus, while Turkey was moving away from statism, the effort was simultaneously encouraging corruption.

Özal's fervor in fighting corruption diminished significantly once inflows of money increased and economic expansion grew beyond his control, and others, strategically positioned around him, started

operating their own schemes. At the same time, numerous allegations arose charging that his family had become involved in non-transparent business deals. Özal's Motherland Party gradually became the party of the contractors, leading eventually in 1998 to the Motherland-led coalition government (then headed by Mesut Yilmaz) and the first Turkish Government to be brought down ignominiously in parliament by a vote of no confidence on corruption allegations. I will discuss these allegations later in this essay.

As he steered the Turkish economy toward free market capitalism, Özal would proudly state: "My bureaucrats know their business."⁴ Originally a careless remark on pragmatism, the phrase became the motto for state-sponsored encouragement of bribes and embezzlement. The prevalent interpretation of the state's position was that, as Turkey embraced capitalism, it was acceptable to use any means necessary. Although Özal was attempting to end restrictive state practices, he simultaneously avoided structural reforms and targeted pragmatic and short-lived options. Many of his policy ideas were either stopped by court verdicts or lost in the bureaucratic maze. Özal's failure to establish necessary checks and balances gradually eroded the entire system. The Özal experiment also revealed that credible market-friendly liberal reforms in Turkey are not possible without a clear political mandate and a safe parliament majority that is able to undertake the painful task of structurally reforming economic legislation.

THE 1995 ELECTIONS AND BEYOND

After Özal died in 1993 and Demirel became president, Yilmaz became the unchallenged leader of the Motherland Party, and Tansu Çiller took over the True Path Party from Demirel. (Demirel had established the True Path as the successor to the Justice Party, which was banned after the 1980 coup). Even though Motherland and True Path were both center-right parties with similar messages, there was enormous tension between them, in part because of intense rivalry for control over the lucrative intercourse between the Turkish government and the business community. Çiller and Yilmaz, referred to as "Siamese twins," have both faced corruption investigations.

⁴ Faruk Bildirici, *Hürriyet*, Istanbul, 3 October 1999.

The general elections of December 1995 were a turning point for Turkey. In earlier local elections, the Islamists had won a large percentage of votes, and the establishment feared that the Islamist Welfare Party could win the parliamentary elections. Yılmaz and Çiller were the two leading mainstream candidates. Having worked diligently for a Customs Union Agreement with the EU, which would become effective on 1 January 1996, Çiller was seen as the new kind of leader, similar to Özal—for free markets and the West. She also ran on an anti-fundamentalist platform, suggesting that she was a stalwart against "Islamic fundamentalism."⁵ As a young, attractive and reformist female politician, she gained widespread support from the Turkish media and business community, as well as Western leaders. In short, Çiller, more than Yılmaz, was viewed as a safe bet against the rise of political Islam in Turkey.

The 1995 election results showed Welfare as the winning party and Çiller and Yılmaz formed a coalition government, in part to keep the Islamists out of power and also to unite the center-right. This experiment was short-lived, as Yılmaz soon accompanied the Welfare Party in pressing charges against Çiller on corruption allegations. Çiller then left the coalition, and to the world's dismay, reversed her pre-election stand and made a "Faustian pact": If Welfare would help her in opposing the corruption investigations against her, she would, in return, "open up" the Turkish state to the Islamists.

The deal with Çiller made the Welfare leader, Necmettin Erbakan, the first Turkish Islamist to become prime minister with less than 20 percent of the vote. Through its shameless willingness to conceal corruption, the Welfare Party attained government power and shielded Çiller against corruption allegations and parliament inquiries—some of which they had put forward.⁶ This was the start of a new era in Turkish politics, where the parliamentary investigation process against corruption was used for political purposes.

The 13 months of the Çiller-Erbakan government was a travesty of democracy. While some in the West applauded the Çiller-Erbakan government as an interesting experiment underlining the

mainstream aspects of the Islamists, this government did serious damage to the coexistence of Islam and democracy.⁷ Turkey was not ready for such an experiment and during the government's tenure, tensions escalated between the Turkish military and the government.⁸

The partnership with Çiller also hurt the Welfare Party, whose election slogan and mission was "a clean system and a just order." By entering a coalition with a leader it had accused of corruption, the Welfare Party demonstrated that they were as opportunistic as other political parties. In fact, the Virtue Party, the successor to the now-banned Welfare Party, subsequently dropped the "just order" slogan.

The unnatural alliance was shaky throughout its brief tenure. It survived a series of parliamentary votes of censure, but finally started to lose control after a National Security Council (NSC) meeting produced an 18-point list of measures to reinforce the secular system. The real significance of the NSC meeting was that the military establishment had once again decided to step into the political arena. As in previous decades, the military felt compelled to act because the civilian system was unable to bring the troubled government down through normal democratic procedures. Under sustained pressure, the coalition government was forced to resign in June 1997.

SUSURLUK: MISSED OPPORTUNITY

This period also shed some light on the long-suspected state-Mafia-organized crime triangle. The general public had very little knowledge of such relations until a fatal car accident occurred in the town of Susurluk on 3 November 1996. The car involved in the Susurluk crash was carrying a True Path Party parliamentary member, a former police chief and a Mafia figure sought by INTERPOL for involvement in the assassination attempt on the Pope, as well as other serious crimes. The crash, for the first time, exposed the public to the structure of the long-suspected criminal cell at the heart of the state.

⁵ John Darnton, "Uneasy Crossroads—A Special Report: Discontent Seethes in Once-Stable Turkey," *New York Times*, 2 March 1995, p. 1; Zeyno Baran, "Too Little Stability in Turkey," *Christian Science Monitor*, 18 February 1997, p. 19.

⁶ Ceyhan Ergüven, "Critics Attack Çiller for Giving in to Islamists," *Agence France-Presse*, 1 July 1996.

⁷ Andrew J.A. Mango, "Testing time in Turkey: Domestic and Political Developments in Turkey," *The Washington Quarterly* (Center for Strategic and International Studies) 1 January 1997, p. 3.

⁸ Sami Koher, "With Islam's Crescent Rising Over Turkey, the Army Howls," *Christian Science Monitor*, 6 February 1997, p. 1.

Investigations revealed that Abdullah Çatli, who died in the crash, was a former nationalist activist and "hired gun" who wanted to cash in on his connections by offering his services to organized criminal groups. Several Turkish business figures were accused of profiting from his methods of warding off competitors and forcing the collection of debts.

Çatli was reported to have been an important figure in the so-called "Ergenekon," the Turkish wing of GLADIO, which is the code name for the special national forces created in several NATO countries during the Cold War to fight communists in a guerrilla war in case of a Soviet invasion. There were allegations that the state had used Çatli's services in deniable operations, including murders. Since these forces existed in a legal no man's land, they eventually became unmanageable. These well-trained special units recognized the weakness of the state and decided to use their power to engage in profitable criminal endeavors that included drug smuggling, extortion, ransom and murder.

The Çiller-Erbakan government had proved particularly incompetent in dealing with the Susurluk crash. The Virtue Party, which had portrayed itself as the prime defender of moral values, was forced into embarrassed silence—predictably focused on trying to preserve its political coalition. However, Virtue's failure to respond further fueled a widespread sense of hopelessness and exasperation with the political system. The coalition managed to muddle through, in the hope that there would be a clean hands operation similar to that carried out in Italy or Pakistan. These hopes, however, were unfulfilled.

Predictably, the parliamentary investigation of the Susurluk incident ran into insurmountable walls of silence. It reported nothing significant, leading Fikri Sağlar, a member of the parliamentary committee investigating the accident, to admit that he was embarrassed by the report. Yılmaz, who became prime minister in December 1997, vowed that he would get to the bottom of the scandal and that if he failed, he should be removed from office. Yılmaz, however, did not pursue the investigation and things returned to normal.⁹

The Susurluk accident revealed that organized crime had proliferated in the 1970s, and while the establishment had been busy defending itself against communism, Turkey became a drug

⁹ Faruk Bildirici, *Hürriyet*, Istanbul, 3 October 1999.

transit route from the Middle East and Central Asia to Europe. In return for drugs, other contraband such as guns, cigarettes, alcohol and machinery were smuggled into the country. The ongoing war in the Southeast against the Kurdish separatist group, the PKK, which began in 1984, provided further impetus for such activities. Uğur Mumcu, Turkey's most revered investigative journalist, was killed in 1993 when a bomb went off under his car. He had written about the suspected links between the drug underworld, right-wing terrorists and the state, in addition to describing the Mafia connections between Turkey—a NATO member—and Bulgaria, a Mafia-infested-Warsaw Pact member. Since then, no other journalist has undertaken similar risks.

PRIVATIZATION UNDER THE SHADOWS

The first serious corruption allegations against the Motherland Party surfaced after the conclusion of the tender for independent power plants in November 1997. Despite complaints of lack of transparency in the process by Turkish and foreign companies, the government failed to provide a satisfactory explanation for awarding contracts for three of the five plants to a consortium headed by a Turkish company with close links to the Motherland.

The sale of 51 percent of the shares of Turkey's biggest gas station network, Petrol Ofisi, further highlighted the problem. The sale was conducted in front of live television cameras to convince the international financial community that the process was transparent. An obscure businessman offered the highest bid against all expectations and had to be proclaimed the winner. Negotiations continued behind the scenes, however, and the tender was eventually given to the third highest bidder. Despite rumors of corruption the government remained silent for months.¹⁰

Meanwhile, Prime Minister Yılmaz claimed to be leading the fight against corruption and, under pressure from the powerful military establishment, a number of underworld figures were

¹⁰ Yılmaz was cleared of this corruption charge in the parliamentary investigation commission at the end of May 2000. Yılmaz faced a total of eight separate corruption and wrongdoing allegations investigated by eight parliamentary investigation commissions. At the time of this writing, Yılmaz was cleared of all but two, where commissions recommended a trial by the Constitutional Court. These decisions need general assembly endorsement by a minimum of 276 votes in the 550-seat chamber. The parliamentary investigation commissions were designed to protect the parliamentary immunity, however, the decisionmaking process has been tainted by political calculations

caught. Nevertheless, those who wanted to cleanse the system were not satisfied and a taped phone conversation between a prominent Mafia figure, Alaaddin Çakici, who had been apprehended in France two months earlier, and one of Yilmaz's closest ministers, Eyüp Aşık, was leaked to the press. Aşık, who had been designated by Yilmaz as his "main aide in the fight against the criminal groups," was forced to resign.¹¹ Predictably, Yilmaz claimed that there was a conspiracy to weaken his government because he was fighting against organized crime.¹² In the end, Aşık was acquitted in the trial and a parliamentary commission on 31 May 2000 ruled that there was no need to send Yilmaz to court. This raised a heated debate about the ability and effectiveness of the parliamentary inquiry commissions. It is still uncertain whether the leaks were coming from within the government, or from rival groups.

Additional tapes were duly released revealing that the successful bidder in the privatization of a state-owned bank, Türkbank, had been secretly colluding simultaneously with Çakici and the government to win the tender. At the same time, Korkmaz Yiğit, a little-known real estate contractor, went on a buying spree, purchasing several television channels and influential newspapers in an obvious attempt to increase his power and gain privileged access to political decisionmakers. Yiğit was a prime example of a new trend of flourishing power brokers: cash-rich individuals that controlled stakes in the media and banks. The trend also included high-level politicians, some of whom were in government. After the release of the taped conversations, the sale of Türkbank, as well as the newspapers, was canceled and Yiğit was detained.

Yiğit's television station proceeded to broadcast a tape in which he detailed his involvement with the underworld and several other businessmen, including Minister of State for the Economy Güneş Taner and Prime Minister Yilmaz. Once again Yilmaz immediately claimed that this was part of a conspiracy and that the government would persevere. This time, however, such arguments found little resonance among the influential media that had previously limited their criticism of Yilmaz because of fears that

¹¹ "Aşık: Cassettes Are a Conspiracy and Illegal," *Turkish Daily News*, 8 January 1999.
¹² Suzan Fraser, "Turkish Premier Pressured to Quit for Alleged Mob Ties," *Associated Press*, 11 November, 1998; and Aylin Mutlu, "Cassettes that Shook a Country," *Eurasian News*, 31 December 1998 at <http://www.eurasiannews.com/123turkassettes.htm>.

the Islamists (who had regrouped as the Virtue Party following the folding of the Welfare Party) and the unrepentant Çiller would exploit a potential political crisis. And in November 1998, the Turkish National Assembly voted Yilmaz out of office.

Although many prominent names were revealed, there had been significant doubts about whether the Tape War, as it had been called, would lead to a full-fledged campaign against corruption and organized crime, or whether it would become a scapegoat operation for short-term political gains. As it turned out, it was the latter.

THE RUSSIAN CONNECTION

The Yilmaz government of 1997, to the chagrin of the rest of the Turkish establishment, also formed close ties with some Russian business groups. Since the end of the Cold War, a number of major Turkish construction companies had been given significant construction projects in Russia and had developed a particularly close relationship with the controversial mayor of Moscow, Yuri Luzhkov. Minister of State for the Economy Taner, had become the leading advocate of Turkish-Russian business partnerships.

The Russians were concerned that Turkey was cooperating too closely with the US on the Baku-Ceyhan oil pipeline project.¹³ The Russian Prime Minister, Viktor Chernomyrdin, and the Russian giant gas monopoly, GAZPROM, made it clear that if Turkish groups wanted more contracts with Moscow, Russia should be allowed to enter the Turkish energy market as well. This led to the development of the Blue Stream gas pipeline project, which will carry gas from Russia under the Black Sea to Turkey.

In December 1997, Chernomyrdin was invited to Turkey. It was not until after the invitation was issued that others in the Turkish establishment became aware of the Blue Stream project, which the Russian prime minister intended to sign in Turkey. The Turkish government consequently realized that this deal, as structured, would mean almost complete GAZPROM control over the Turkish gas market, which was already 70 percent dependent

¹³ The Baku-Ceyhan oil pipeline project will carry Caspian Sea region oil to the Turkish Mediterranean port of Ceyhan as part of the US-backed East-West energy corridor strategy on Central Asia and Caucasus.

on Russia.¹⁴

The National Security Council, meeting immediately prior to Chernomyrdin's visit, witnessed a confrontation between the military, the foreign ministry, and Minister Taner.¹⁵ Consequently, the agreement on Blue Stream was revised, but it is significant that Turkey did not get a chance to properly evaluate the project's feasibility, or its overall policy implications. Equally significant is the fact that it prompted an expression of national security concerns on the part of the military establishment. Hence, in the attempt to "buy" projects in Russia, the Yilmaz government may have put Turkish national security at risk.¹⁶

One further cause for concern was that in this period the media also might have become vulnerable to corrupt practices. The media groups were compromised as they had turned into holding companies with vast interests expanding from energy to retail to banking. They needed strong relations with the government, and hence provided little coverage of controversial developments, such as the Blue Stream project. Nevertheless, in the absence of an effectively functioning legal system, it was also the media that finally served as the platform for the release of systematic leaks—allegedly from within the Turkish state—about allegations of corruption, and actually led to the fall of the Yilmaz government.

The Motherland Party, however, managed to return to office in the April 1999 elections with Ecevit's Democratic Left and Bahçeli's Nationalist Action Party. Even though his party ranked only fourth in the elections, Yilmaz managed to take the ministries of energy, transportation, privatization and finance, which kept him in close contact with the media and the business world.

Yilmaz spent the next year rebuilding his political credentials, and though he never admitted it publicly, was widely assumed to be preparing himself to succeed President Demirel in May 2000. As Demirel's term neared its end, Yilmaz's name circulated as an alternative candidate. However, Prime Minister Ecevit took a

¹⁴ Based on conversations with Turkish officials participating at the Blue Stream talks.
¹⁵ The NSC, a constitutional advisory body for the government, is chaired by the president and comprises key government ministers and the top military brass.
¹⁶ The scrutiny of the Blue Stream project and related corruption allegations were repeatedly aired by Sedat Sertoğlu, the leading foreign policy columnist at the Turkish daily newspaper *Sabah* and Şükrü Elekdağ, former ambassador to the US. See also "Turkey-Russia Gas Deal Scits Opposition Before Signing," *Dow Jones Newswires*, Istanbul, 12 December 1997.

political risk by arguing that Demirel was crucial to Turkey's continued political stability and successful foreign policy, and tried to convince the parliament to amend the constitution so that the president's term could be extended.

The Turkish Military Chief of Staff, Hüseyin Kivrikoğlu, communicated through the press that the next Turkish president should not face any corruption allegations. This was largely interpreted as obvious opposition to Yilmaz's candidacy.¹⁷ Moreover, Kivrikoğlu noted that in Europe party leaders whose support declines in successive elections are not allowed to remain in power, which was another negative signal to Yilmaz and Çiller. Then, following weeks of speculation, a low profile and relatively unknown political figure, the chief justice of the Constitutional Court, Ahmet Necdet Sezer, was elected president. Since the Turkish Constitutional Court is considered to be one of the most respected Turkish institutions, this choice may lead to the beginning of a much-needed reform process.

LOOKING AHEAD

Corruption will be tackled seriously only when the Turkish establishment finally decides that the most effective way of combating political Islam and maintaining a secular, progressive and functioning democracy is to cleanse the corrupt political system. As in other developing countries, the Turkish public has long associated corruption with the free market system, and therefore may be attracted to marginal and radical political movements. There is a growing gap between the affluent haves and the have-nots. An April 2000 United Nations report indicated that one in seven Turks—14 percent of the 63 million people in Turkey—lives in poverty.¹⁸ Thus, there is an urgent need to provide the have-nots with a secular democratic and centrist alternative in the next elections.

Political legitimacy requires effective government policies for economic development with relative socio-economic equality, maintenance of political order with effective rule of law, protection

¹⁷ *Radikal*, Istanbul, 12 April 2000. This message was conveyed to the media through Tefik Diker, with the consent of General Kivrikoğlu. Diker is currently Chairman of Anti-Corruption Association, and used to be a member of the Parliament from the Motherland Party.

¹⁸ "Regional Developments in Turkey, 2000." UNICEF, April 2000

of liberties and political accountability. However, due to the failure of successive governments to satisfy the needs of the citizens, there is a crisis of legitimacy in the Turkish system.

The experience of the past few years should serve to remind us that the attitude of the powerful Turkish military establishment, which has been exasperated by the corruption, cynicism and incompetence of the secular center-right politicians, will continue to have a decisive influence on the future of Turkish politics. General Kivrikoğlu's statement prior to the latest presidential elections that "after Islamic fundamentalism corruption is the second most important threat to national security" is a clear indication of its orientation.¹⁹ The military, which has observed developments such as the Blue Stream project with concern, recognizes that foreign investment and long-term economic growth will not happen without a transparent and trustworthy system. While civilian governments have relied on the military to rescue the country from the brink of political and economic chaos several times, it is important to keep in mind that even the military is not immune to corruption. Moreover, if Turkey wants to become truly Westernized with full EU credentials, civilians will have to realize that they themselves need to help to resolve issues without expecting the military to step in at difficult junctures.

In the aftermath of the August 1999 earthquake, where nearly 18,000 people died due to corrupt city planning and deliberate substandard construction, there was hope that the tragedy and its exposure of corruption at all levels of society would shake the system to its roots. International attention, combined with budding domestic efforts, such as emerging NGOs, put pressure on the Turkish system to change.

The prospect of EU accession is a positive factor in the equation, since it provides legitimacy to those who want to reform the system. The political integration process with the EU is supplemented by the IMF and World Bank-backed Disinflation Program and Structural Reform Program, which was launched on 1 January 2000. This joint effort is based on establishing rule of law, transparency and accountability. These programs encourage better tax collection and limit the size of the unregistered economy. Between June and September 1999, the

¹⁹ Sükrü Kütükçahin, "Turkish General on Struggle Against Corruption," *Hürriyet*, Istanbul, 12 April 2000, p. 18.

Turkish parliament managed to pass 69 laws, which were designed to transform Turkey into an investor-friendly country where international capital could operate without government harassment, bribes, unfair practices or extortion. The EU membership process also requires integration of the Turkish legal system with the EU, which will mean that Turkey's judicial system will be accountable to a higher authority.

One of the main tests for Turkey as it moves forward with these reforms will be privatization. As lucrative blocks of the energy and telecommunications sectors are privatized, the system will face the danger of these assets becoming monopolized by private entities or bought by criminal groups. Moreover, growing links with Russian and international organized criminal groups could even turn Turkey into a Mafia-run country.

In order for Turkey to proceed with the necessary reforms a committed reformist leadership is necessary. The challenge is to make the change without risking stability. The Ecevit-Bahçeli government, led by two men known for their honesty, has approached corruption allegations rather timidly, because of their desire to preserve stability. It is heartening to note, however, that the close cooperation between the two men in the April 2000 presidential elections demonstrated that they, along with the rest of the Turkish establishment, are united on the country's future direction. By helping to elect the chief justice of Turkey's Constitutional Court to Turkey's highest official position, they communicated their commitment to the rule of law.

EU membership remains the ultimate prize of the reform process. The path to the EU is marked with stages of economic and democratic reforms that will gradually become more difficult. While these individual stages have their own rewards and challenges, they will only be partially meaningful. However, those groups who do not want Turkey to adopt changes for further transparency will continue to push Turkey away from the West and try to preserve the profitable, corrupt and closed system. Even though there will be renewed clashes between the pro and anti-reformists, leading to occasional victories for the latter, international and public support should provide momentum to keep the reformist course on track.

Clearly, an anti-corruption drive will only strengthen the reform process and enhance the government's popularity. If the government is unable to reduce the rate of inflation and improve

economic prosperity quickly, it can at least prove that there are rewards, simply by implementing the rule of law. This would satisfy the demands of the electorate, ensure a wider mandate, strengthen legitimacy and enhance public confidence.

Therefore, it is encouraging that Turkey's new president, Ahmet Necdet Sezer, at his inauguration speech in May 2000 stated that "the presidency will be with (the parliament) and at the service of the nation for a decisive struggle against corruption, and against attempts to gain benefits through unlawful means."²⁰ Sezer, who is a dedicated man of justice, brought renewed hope to Turkey that the long-awaited reforms will indeed start taking place. ❖

²⁰ Ahmet Necdet Sezer, Inauguration Speech at the Parliament, 16 May 2000.