

December 14, 2000

TACKLING TURKEY'S "CORRUPT QUADRANGLE"?

While much attention has been focused in recent years upon the twin threats of Islamic fundamentalism and separatist terrorism in Turkey, the endemic bribery and prevailing climate of corruption are at long last rightfully receiving due recognition as a clear and present danger to economic development and civil society. Current events bear witness to a new willingness to confront what the last CSIS *Turkey Update* described as "the corrupt quadrangle of businessmen, media, politicians, and bureaucrats, with its tentacles in every aspect of Turkish political and economic life." Recent developments may at long last mark the breaking of the cycle of impunity with which the perfidious taint of corruption has been allowed to proceed, weakening the rule of law and civil society.

Many observers have noted an emerging consensus on the importance of tackling corruption, especially as Turkey strives to undertake the necessary reforms to fully integrate with the Western community of nations. But the past decade has provided ample opportunities to address corruption in Turkey, from the "Susurluk Crisis" in 1996 to the "Turkbank Scandal" in 1998; and from the aftermath of a catastrophic earthquake in August 1999 to the latest revelations of massive bank fraud that have shaken Turkish markets to their very foundations. As encouraging as recent events may appear, it would also be prudent to note that despite a steady procession of scandalous revelations of wrongdoing on the part of prominent officials, justice has far too often remained all too elusive in Turkey.

Transnational Priority, and the Turkish Experience

Corruption, generally defined as "the abuse of public patronage for gain by private interests," has become an increasingly exclusive preoccupation of a rapidly growing circle of social scientists and policymakers, who have come to appreciate its impact on political and economic development. The multifarious variants of "crony capitalism": payments in cash or kind, appeals for reciprocity in future "transactions," be they in the form of corrupt favors or votes have been carefully monitored from Latin America to Sub-Saharan Africa, to the former Soviet republics to the Far East.

Since the end of the Cold War, corruption has emerged on the international agenda as one of the most significant transnational issues of our time. In 1992, Italy's "Clean Hands" operation sought to cleanse its government and judiciary of the taint of organized crime's influence. In 1996, James Wolfensohn committed the World Bank, under his leadership, to greater attention to issues of transparency, corruption, and good governance among its clients. Finally, in 1997, the

Organization for Economic Cooperation and Development (OECD) unveiled its Bribery Convention; an influential international agreement placing governments and multinational corporations on notice that the solicitation of bribes that once constituted “business as usual” was no longer acceptable. Over the past decade, increased attention to corruption’s pernicious influence on economic development, as well as political and legal structures, has promoted a growing transnational consensus that corruption can no longer be viewed as “a painless and victimless crime.”

Transparency International (TI), an international nongovernmental organization devoted to issues of corruption, recently ranked Turkey 50th out of 90 countries surveyed in its annual Corruption Index—a worldwide survey of leading executives concerning their experiences with graft. Populist policies have historically prevailed in Turkish politics, making personal relationships, rather than individual merit, the primary determining factor in gaining employment as well as in the provision of services. The weighty legacy of patronage among public officials has contributed to eroding the concept of an overarching public interest. Additionally, much of Turkey’s industrial sector has been state-owned through its history, making privatization a difficult and far from transparent process. Furthermore, recent decades have seen massive population shifts from rural to urban areas, stretching public services to the limit, and high demand for such services provides an ideal incentive for low-paid local officials to subsidize their income through bribes and gifts.

As in other countries, crony capitalism in Turkey provides a “hidden tax” in transaction costs, discouraging some legitimate enterprises while generally driving up the cost of doing business. In many cases, this hidden tax is far from predictable, increasing uncertainty and providing incentives to reduce transparency in business transactions, and thus discouraging significant amounts of capital from entering into a corrupt marketplace. Willingness to offer and accept bribes hinders competition when some actors are disqualified because of an inability or unwillingness to pay bribes, while those who are willing to do so pass on the expense to consumers, either in the form of lower quality or more expensive goods and services. Corruption, as a tool to close deals and to “expedite” consideration of contracts, discourages both domestic commercial development as well as foreign investment. Thus, from an economic standpoint, corruption fundamentally distorts the commercial realities of the Turkish marketplace. Scholars have noted that recent financial crises in Mexico, Russia, and Indonesia shared corruption as a contributing factor.

The economic impact of corruption holds further implications for the rule of law and conduct of civil society. Because significant funds are diverted from public services in the name of corruption, the amount and quality of these goods are also reduced, contributing to a prevailing sense of the state promoting private gain over public good. Those in lower income brackets find themselves paying out larger proportions of their income to secure services, further distorting the distribution of income. Confidence in a legal system unable or unwilling to address corrupt actors decreases markedly, leading to a greater propensity to violate laws, as well as a self-perpetuating sense of disregard for the legal system. With access to public services also hindered by corruption, the resulting sense of resignation, and even outright hostility, ensures growing alienation of the public. Thus corruption, once established in a society, is observed to be both self-sustaining and highly resistant to reform.

Furthermore, it is telling that the Turkish word for “corruption,” as well as the concept of “accountability,” has yet to be adequately rendered in the Turkish language. Linguistic novelty aside, this illustrates wide cultural gaps that need to be bridged by Turkey on the road to transparency and full membership of the Western community of nations. In a 1999 survey undertaken by the Turkish Economic and Social Studies Foundation (TESEV), when asked if they

were satisfied with the quality of public services, only 3 percent of respondents answered in the affirmative, while 36 percent registered their discontent. Those surveyed overwhelmingly agreed that patronage networks ran rife in local government, with a negative impact on the frequency and quality of municipal services delivered. But even as 69 percent of respondents agreed that institutional reforms were desperately needed, particularly at the municipal level, over half of the respondents accepted that offering gifts and using personal connections were the most effective means to sway officials. Addressing corruption will thus ultimately require substantial transformation of the Turkish judiciary, bureaucracy, and public perceptions.

Sadettin Tantan: Man of the Hour?

Since the former police chief's appointment in May 1999 as Interior Minister, Sadettin Tantan has burst onto the scene in the tradition of Elliot Ness; the embodiment of Turkey's aggressive new campaign against corruption. In cooperation with the recently appointed chairman of the Banking Regulation and Supervision Agency (BRSA) Zekeriya Temizel, the Interior Ministry's latest investigation, dubbed "Operation Hurricane" by Turkish investigators, uncovered embezzlement on a massive scale. The ongoing investigations have led to the arrest of several prominent executives, including Murat Demirel, the nephew of former president Suleyman Demirel. Previous operations included "Operation Parachute" and "Operation Whale," which broke multi-million dollar fraud schemes in high-profile investigations.

Delivering a keynote address to TESEV's October 30 conference, in which the organization inaugurated its two-year, three-stage survey to gauge the parameters of corruption in all spheres of Turkish society, Minister Tantan warned that corruption posed a dire threat to Turkey's economic and political stability. "The corruption economy is Turkey's number one threat, it lies at the root of many of our country's problems and poses a future threat to our society and constitutional regime and the struggle against it should be assigned Turkey's highest priority."

Tantan's speech coincided with the arrest of Murat Demirel, a director of Egebank, one of ten failed banks seized and currently under investigation by the Turkish government. Temizel had initiated the investigation of Egebank, noting steady, surreptitious outflows of funds in the months preceding its collapse. Security camera footage of Demirel carrying suitcases allegedly filled with cash under cover of night just before regulators seized Egebank shocked the nation, leading to uncomfortable questions of whether he had been alerted to the impending state intervention.

In an apparent reference to Demirel and other high-profile targets of investigation, Tantan said, "Until today, the architects and actors of the 'corruption economy' were seen as effective, powerful, and respectable citizens. Robbers and oppressors, who should have been condemned forever in the conscience of the people, instead, walk among us as respectable and prestigious people." Delphically, Tantan continued, "Those who thrived under the protection of dirty politics and bureaucracy organized themselves within institutions of civil society," insinuating themselves like "the Knights Templar... in order to gain acceptance within society, and increasingly gained control of these organizations. Unfortunately, the main actors in this system of robbery and plunder succeeded in becoming powerful and influential in our public life. Moreover, since they were powerful and influential, they determined our agenda."

Taking a barely disguised swipe at the role of media executives in preserving the corrupt status quo, Tantan added, "Our people were obliged to think and evaluate within an agenda determined by them. They succeeded in presenting the significant as ephemeral and the ephemeral as significant because they had the monopoly to do so. Those who followed their false agenda won

praise, while those who did not do so were denounced and shunned. They failed, however, to destroy the common sense of our people and our people have started to determine their own agenda.”

The interior minister enumerated three prerequisites for tackling corruption successfully: a properly functioning state administration, particularly in the maintenance of law and order and the administration of justice; a strong and knowledgeable movement for civil society; and knowledgeable, responsible, and ethical citizens. Tantan argued, “The combination and cooperation of these three factors cleared the way to a democratic state governed by the rule of law in which the corruption economy can no longer survive.”

Tantan forcefully concluded that, “Unless we understand that corruption is the main source of radical Islam, terrorism, dirty politics, and depraved state administration, and take the necessary steps to drain the swamp, we will spend all our time swatting mosquitoes.” It is this understanding, that corruption is at the root of Turkey’s most serious political and economic challenges, that may ultimately prove the decisive factor in this current drive against corruption.

Challenging the “Corrupt Quadrangle”

It is no accident that the two parties receiving the highest percentages of votes in the April 1999 elections, Bulent Ecevit’s Democratic Left Party (DLP), and Devlet Bahçeli’s Nationalist Action Party (NAP), are also the parties popularly regarded as the least tainted by Turkey’s “corrupt quadrangle.” The same could not be said about the scandal-plagued Motherland Party (MP), which is the smallest member of the current three-party coalition. It is a remarkable testament to Minister Tantan’s uncompromising integrity that his tenacious full-court press against graft proceeds despite his membership in the MP. It should also be noted, however, that to date, only private sector personalities have been detained, while bureaucrats and officials—two crucial legs of the quadrangle of Turkish corruption—have yet to face charges. Furthermore, given the coalition’s demonstrated difficulty in coping with the current economic crisis, a manifestation of Turkey’s endemic corruption, the government may not be up to the task of eliminating corruption.

It is also unsurprising that the drive against corruption came after the election of a former chief justice to the presidency. President Ahmet Necdet Sezer opened this legislative year in the Turkish Grand National Assembly (TGNA) with a speech in October naming corruption as one of the most serious problems in Turkey. On November 20, as the anti-corruption drive picked up speed, Sezer underlined his support for the fight against all political, economic, and administrative corruption. He said, “Our main goal is to have a transparent economic structure, which will function by all kinds of regulations, leaving no room for uncertainties... The fight against all political, administrative, and economic corruption, which deteriorates the moral and legal rules of society, tolerates small privileged groups to obtain large interests in public resources, and prevents the limited resources from being used on the basis of equality and justice, warrants special attention.” Sezer added that, “Wealthy people of a corrupt system should not be allowed to dominate our economy.”

According to recently published public opinion polls, Sezer and Tantan are considered to be Turkey’s most trusted public figures, displacing the military, perennially regarded as Turkey’s “cleanest” institution. For its part, the politically influential Turkish military also understands the importance of addressing corruption. Some analysts have attributed this to the General Staff’s recognition of the success of Islamist politicians in the past decade was in part due to public perception of their isolation from Turkey’s corrupt quadrangle. Whatever the reason, it is clear that

the military has joined the fight against corruption and has apparently identified corruption as a major threat in its most recent national security assessment document.

The View from Brussels

Recent weeks have demonstrated that, in addition to its negative impact on foreign investment, corruption may also be a major impediment to Turkey's goal of membership in the European Union (EU). On November 8, the European Commission (EC), the executive body of the European Union, issued its annual report concerning Turkey's progress towards membership, which was discussed at the EU Summit in Nice on December 7-9. The passages regarding Cyprus and the Aegean, for example, prompted widespread, rancorous reactions in Turkey. However, the report's attention to corruption was widely overlooked, despite the current salience of the anticorruption effort.

To be sure, praise for Turkey's efforts at reform, as well as its economic performance in issue areas covered previously by the 1997 Customs Union, figured prominently in the report. But just as the EC draft found Turkey no closer to fulfilling the Copenhagen Criteria in the realms of democracy, rule of law, human rights, and protection of minorities, it also noted that, partly because of corruption, Ankara fared only slightly better in economic progress toward European integration. The report lauded the prominence of anticorruption efforts on Ankara's political agenda over the past year, but also criticized Turkey's hesitation to sign onto several Council of Europe Conventions, designed to both promote domestic transparency and provide for uniform codes to expedite the prosecution of transnational criminal activities.

The report placed the promotion of transparency among Turkey's extensive list of expected short-term reform goals, as corruption was observed to have serious consequences for Turkey's economic progress toward membership. References to Turkey's vibrant "gray economy," trouble in tax collection, and observations of less than desirable levels of transparency in privatization and public procurement bespeak concern on the part of Brussels with Turkey's lack of progress in conformance with EU political and economic norms. The EC document bluntly stated at numerous points throughout its report that, "Corruption continues to be widespread and remains a matter of significant concern."

Towards Civil Society?

In order to effectively stem the tide of corruption, many experts recommend the creation of effective partnerships between the authorities and "civil society," local and national public interest groups, as well as domestic and international NGOs. In this respect, a protocol signed on May 11, 2000 between the Interior Ministry and TESEV marked a significant step forward both in the struggle against corruption as well as the development of state-NGO partnerships in Turkey. The protocol called for a comprehensive study of corruption in Turkey and an integrated strategy to address its complex impact upon Turkish society.

On October 30, TESEV held a conference at Istanbul's Bosphorus University, with the participation of a CSIS delegation to unveil a national survey project designed to ascertain the extent of corruption in Turkish society, the first study of its kind in Turkey. The head of the survey project team, Istanbul University professor Burhan Senatarlar, provided a broad overview of the project: a nationwide three-part survey polling the general public, businessmen, and public officials, designed to capture both the experiences and perceptions of corruption in Turkish society. Senatarlar identified three fundamental elements in the drive against corruption in Turkey:

- First, existing sanctions appear insufficient to stem the tide of corruption, necessitating both new legal procedures and sustained political will to prosecute corrupt actors.
- Second, bureaucratic procedures central to most projects in Turkey remain cumbersome and murky, allowing corrupt officials opportunities to solicit graft in order to move things along. An integrated anticorruption agenda would necessitate wide-ranging bureaucratic reforms and the streamlining of outmoded procedures.
- Finally, the most daunting challenge may lie in changing the mentality of resigned acceptance that the use of gifts, family connections, and other unofficial means of persuasive leverage remains, for better or worse, the primary means of doing business in Turkey.

Participants at the conference generally agreed that it was a lack of political will on the part of politicians and officials jealously guarding their collective vested interest in a corrupt status quo, rather than a lack of resources, that prevented efforts to address the issue in the past. Additionally, there was agreement that with systematic reforms also came the need to fundamentally transform what appear to be widely accepted public attitudes concerning, for example, the tradition of “tipping” municipal officials in dealing with local government.

The TESEV project on corruption represents an important milestone in the effort to stem the pernicious erosion of civil society in Turkey by corruption. In light of recent events, the public has higher expectations of wide-ranging reforms than ever. With the recognition of corruption as the root of Turkey’s economic, political and social problems by courageous and principled individuals such as Tantan, Temizel and Sezer, as well as the long-suffering Turkish public, it looks as if the fight against corruption might finally be fought with full vigor. Corruption presents a profound challenge to Turkey’s economic, political, and social development that must be surmounted at all costs if Ankara intends to maintain its regional leadership as well as take on European Union membership.

David McKeeby
Research Assistant

John Geis
Research Assistant