Maritime Opportunities: Turkey
2014

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Sponsored by the Virginia Economic Development Partnership’s (VEDP) Going Global Defense Initiative

This study was prepared under contract with the Commonwealth of Virginia, with financial support from the Office of Economic Adjustment, Department of Defense. The content reflects the views of the Commonwealth of Virginia and does not necessarily reflect the views of the Office of Economic Adjustment.
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OVERVIEW

Population (millions) 73.6  
GDP (US$ billions) $794.5  
GDP per capita (US$) $10,609  
GDP (PPP) as share of world total 1.35%  
Military expenditure as share (%) of GDP 5.3%  
Military expenditures, country comparison to the world 14  
Human Development Index 2012 (UN) Score: 0.772 Rank: 90/187

DOING BUSINESS IN TURKEY

GENERAL CONSIDERATIONS

Global Competitiveness Index (World Economic Forum) Score: 4.5 Rank: 44/148  
Doing Business 2014 (World Bank) DTF: 66.93 Rank: 69/189  
Trading Across Borders (World Bank) DTF: 69.93 Rank: 86/189  
Economic Freedom (Heritage Foundation) Score: 62.9 Rank: 69/177  
Trade Freedom (Heritage Foundation) Score: 85.2 Rank: 41/177

TECHNOLOGY AND INNOVATION

Technological Readiness (GCI – WEF) Score: 4.1 Rank: 58/148  
Innovation (GCI – WEF) Score: 3.5 Rank: 50/148

SECURITY CONCERNS AND CORRUPTION

Institutions (CGI – WEF) Score: 4.1 Rank: 56/148  
Corruption Perceptions Index 2012 (TI) Score: 49 Rank: 54/176  
Freedom from Corruption (HF) Score: 42 Rank: 59/185

Turkey occupies a critical strategic location between the Mediterranean, Aegean and Black Seas. Its largest city, Istanbul, lies on both sides of the Bosporus Strait, serving literally as a bridge between Europe and Asia. Turkey shares land borders with Bulgaria, Greece, Syria, Iraq, Iran, Armenia and Georgia. Founded 90 years ago from the core of the dissolved Ottoman Empire, the modern republic of Turkey has since vacillated between authoritarianism and democracy, military and civilian leadership, as well as between its founding ideal of secularism and more open political expression of Islam. Since the 1980s, Turkey has instituted numerous free-market economic reforms, and its economy has grown to become the 17th largest in the world.

Turkish politics of the past decade have been defined by the rise of the Justice and Development Party (AKP), a conservative democratic party with roots in political Islam. Under the leadership of Prime Minister Tayyip Erdogan, the AKP has prevailed in every general election since 2002. Concerns that Erdogan would move to “Islamicize” Turkey have been only partially realized. Instead, Erdogan has curbed the influence of the military in civilian affairs, and he has worked to advance the rights of women as well as
the country’s Kurdish and Christian minorities. He has demonstrated a much less tolerant attitude toward his political critics, however, and has sharply restricted freedom of expression. Protests that began over the government’s plan to redevelop Istanbul’s Taksim Square erupted into broader demonstrations against Erdogan’s leadership in June 2013. Four people were killed, and hundreds more injured or arrested in the subsequent police crackdown.

These events have complicated Turkey’s relationship with the European Union. Turkey has participated in the EU Customs Union since 1995, and it began formal negotiations for EU membership in 2005. The negotiations have been rocky, with questions raised on the European side about Turkey’s commitment to democracy and its protection of human rights. Turkey’s ongoing dispute with Cyprus is another source of contention. Popular support within Turkey for EU membership has declined from 73 percent in 2004 to just 44 percent today, according to a recent survey. Economic disarray within the Eurozone has detracted from the appeal of membership, and some observers have suggested that Turkey would sooner be the one to reject the EU, “rather than waiting for the bloc to deny it entry.”

The U.S. Department of State identifies Turkey as “NATO’s vital eastern anchor,” and the Obama administration has invested considerable energy in elevating U.S. economic relations with Turkey to the same strategic level as existing political and security ties. Bilateral trade has risen to around $19 billion per year, facilitated in part by Turkey’s acceptance of EU standards and regulations. The *Country Commercial Guide* warns, however, that exporting to Turkey still presents “many of the same challenges that exist in other semi-developed countries, such as contradictory policies, regulations and documentation requirements, lack of transparency in tenders and other procurement decisions, and a time consuming, unpredictable judiciary and legal and regulatory framework.” Security is likewise a significant concern, given Turkey’s shared borders with Syria and Iran, and the presence within Turkey of active Kurdish, Marxist-Leninist and radical Islamist terrorist groups.

The *Country Commercial Guide* identifies Defense Industries, Information and Communication Technologies, Safety and Security, and Transportation Technologies among the leading sectors for U.S. export. Turkey’s level of defense spending is the 14th largest in the world; within NATO, the size of its army is second only to the United States. Turkey’s interest in expanding its military capabilities provides significant opportunities for U.S. contractors. In particular, “joint production programs constitute potential export opportunities, as the tendency is to give more emphasis to joint production and joint activities through R&D.” Indeed, in September 2013 Turkey made the surprising announcement – perhaps as a ploy to negotiate lower prices from U.S. contractors – that it would purchase a long-range defense system from China, in part because the Chinese company would permit Turkish co-production.

**PROCUREMENT STRUCTURE**

Defense procurement is centralized in Turkey. Within the Ministry of National Defence, the Undersecretariat for Defense Industries (SSM) is responsible for defense procurement. Turkey pursues a policy of developing its defense industrial base through its Industrial Participation/Offset Policy, which requires an offset of not less than 70 percent of the total contract value of purchases from foreign countries.

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RESOURCES


» Undersecretariat for Defense Industries (SSM) www.ssm.gov.tr

» Ministry of National Defence www.msb.gov.tr