Political Economy of Turkish Privatization: A Critical Assessment

Aysun Ficici

I. Introduction

Although emergence of State Owned Enterprise (SOE) reform and privatization among the policy choices dates back to early 1980s, Turkey has had a disappointing performance in implementation. After an ad hoc experimentation period between 1983 and 1986, a privatization master plan was developed with an implementation agenda. However, amid massive political and economic instability, privatization objectives were not accomplished despite the prominent place it occupied nominally in successive government economic programs. Between 1986 and 1998 only $4.5bn worth of assets, representing less than 10% of the outstanding state owned assets, could be divested.1

The objective of this study is to analyze the economic and political roots of the demonstrated policy incoherence and ineffectiveness of the ever-ambitious privatization programs announced by virtually each of the 8 successive governments between 1986 and 1998. The analysis of economic factors will focus on the impact of macroeconomic instability on the implementation of the proposed programs. The analysis of the political factors will largely draw on a framework introduced by Galal and Shirley (Bureaucrats in Business, World Bank Policy Research, 1996). This framework attempts to sort out the political obstacles to reform and looks at three dimensions to make sense of the dynamics of policymaking. Three propositions are tested to validate the maturity of the political conditions/political readiness for reform2:

Condition I, Political Desirability emphasizes that reforms must be desirable in two interrelated aspects. The first one is concerned with a change in government that can happen in two ways: an outright regime change and/or alteration in the coalition government. The second entails an economic crisis as subsidizing SOEs become difficult and costly for government and that reform becomes desirable. This kind of turmoil can have an effect on the quality of performance of the government in power. The vast uncertainty in the administration can trigger political pressures for different sort of change. Reform desirability of the leadership depends on the amount of reliance on the support of those who benefit from the status quo. 3

Condition II, Political Feasibility engrosses how the leadership can secure the approval and support of other government branches that work in synergy with the governing administration to carry out reforms. These can be defined briefly as legislatures, bureaucracies and the state or local governments that are in charge of formulating and implementing the reform. Perhaps the most important impact or a related problem is the apparent public unease or political ferment of the opposition groups to the reform, especially if they lose out from reform implementation. SOE employees can be classified as losers that can easily organize in groups to make the reform process intricate with
work stoppages and demonstrations. In consequences such as these, the leadership must have the necessary tools to carry out reform and endure successfully. In short, reforms must be both monumental and fundamental.

The final condition of Galal and Shirley is Government Credibility. While measuring government’s credibility, they identify it in three definitive ways: a government must be regarded as a promise keeper that it will not revert, therefore investors must be ensured that the privatized SOEs will not be re-nationalized; a reforming government usually experience domestic restraints and/or constitutional restrictions on policy reversal, those restrictions make it difficult to defeat legislation or vast share ownership in privatized SOEs that entails pro-reform constituency; a reformist government must acquiesce international restraints such as trade barriers and loan agreements. However, compliance with international restraints is not a strong measure to bestow credibility.

Finally, recent developments in the Turkish privatization in the context of the 1999 macroeconomic stabilization program will be reviewed to assess if they amount to a break-away from the stalemate of the past two decades.

II. An overview of the role of SOEs in Turkish Economy and Turkish Privatization

Historically, Turkey has had a long experience relying heavily on SOEs that were established during the 1930s by the government to jump-start the economy that collapsed with the end of the Ottoman era in 1923. The Turkish government began its production and distribution operations due to the deficiencies in the private sector. With the establishment of SOEs, the preliminary stage of industrialization was initiated. Over the years SOEs grew enormously, leaving the control of the economy to bureaucrats by becoming political tools for the parties that came to power. Subsequently, through political considerations SOEs presented exploitation of jobs and bend the economy by price hikes. Gradually, SOEs have become a heavy load that was retaining limited resources of the country.

Consequently, in the 1980s the vision of SOE role began to form a negative outlook for Turkey, it included poor financial performance, overstaffing, dependence on subsidies and unilateral budget transfers, highly centralized and politicized poor performance, protected markets, and corruption. The implications of the SOE role were budget deficits, inflation, and lack of competitive markets, high domestic input costs and lack of export competitiveness. Owing to these conditions privatization came into the agenda of Turkey.

In the past twenty years, many countries including developing countries have adopted reform in which SOEs were major economic and social players. Deriving from significant macroeconomic imbalances, partly resulted from poor economic performance of SOEs, these countries started to experiment with privatization in the 1980s and attempted to reduce the role of the state in the economy first by privatizing SOEs in competitive and potentially competitive industries liberalizing their financial markets in order to adapt to the free market economies. Similar to its other developing country
counterparts, Turkey was struggling with deeply rooted macroeconomic imbalances and massive political instability. Paradoxically, the opportunity for economic reform emerged in the aftermath of a political crisis when democratic process was interrupted in 1980.

Turkey was also suffering from SOE performance implications ever since rounds of oil shocks introduced inflationary pressures in its highly protected economy. SOEs in Turkey became increasingly unprofitable and inefficient due to various subsidies handed in to them by the state. The inefficiencies were also due to poor management, restrictions on price increases and politically motivated employment policies. The inefficiencies in the SOE sector were attempted to be addressed with number of reform proposals in 1970s and particularly in early 1980s, pressuring for organizational changes. However, inefficiency was not the driving force for the fundamental cause of privatization. As noted in Aysan’s 1982 restructuring proposals reports, macroeconomic imbalances were more significant drivers of privatization proposals. Although the actual implementation of privatization began in 1984, the process was gradual and the long-term affects (such as high inflation) of SOEs were still lingering in 1999.

Table I summarizes the development of the key economic indicators of the last three decades. It depicts that although there were signs of improvement especially in the standard deviation of GDP growth in the 1990s, high inflation remained persistent for a considerable time.

### Table. I

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>GDP</td>
<td>5.03</td>
<td>5.22</td>
<td>3.96</td>
</tr>
<tr>
<td>St. Dev. Of GDP Growth</td>
<td>2.99</td>
<td>3.33</td>
<td>5.64</td>
</tr>
<tr>
<td>CPI inflation</td>
<td>24.8</td>
<td>39.9</td>
<td>78.9</td>
</tr>
<tr>
<td>TL Depreciation</td>
<td>9.2</td>
<td>44.1</td>
<td>78.7</td>
</tr>
<tr>
<td>Exports (shuttle trade included)</td>
<td>16.5</td>
<td>14.8</td>
<td>12.5</td>
</tr>
<tr>
<td>Imports</td>
<td>23</td>
<td>7.9</td>
<td>10.3</td>
</tr>
<tr>
<td>FX revenues/GNP</td>
<td>-3.4</td>
<td>8.8</td>
<td>9</td>
</tr>
<tr>
<td>FX expenditures/GNP</td>
<td>2</td>
<td>2.2</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Central Bank, State Planning Organization (See Footnote 10).

Although suggested by Ramamurti (1999) some countries chose gradual reform in order for a successful privatization, the gradual privatization process in Turkey was not a conscious decision as the political elite that set the pattern of economic activity has further controlled state monopolies that benefited favored groups even after the initiation of privatization process. One particular justification for that was SOEs were perceived to be strategic entities and saviors of the national interest; therefore they were intended to be kept under government control. The foundation of this reasoning lay within the historical inheritance of the Kemalist school of thought that inhibited relocation of ownership from the state to the private sector.
The articulation for this claim can be explained by Ramamurti’s (1998) theory concerning some of the emerging markets such as Turkey, where not all SOEs have been privatized as opposed to others. Ramamurti questions the nature of the privatization process in order to answer why some SOEs have been privatized and the others have not? *Firm-Level Determinants* clearly demonstrate that ownership rights and agency theory have a hold over the privatization process. The SOEs mean to belong to the entire society not just to one individual, thereby there are no threats regarding takeovers and bankruptcy and there are no clear goals and incentives to motivate managers.13

Ramamurti’s *Country-Level Determinants* is mainly concerned with political goals rather than economic ones, as privatization cannot take place if politicians do not desire to privatize. Therefore, there is a need for change in the ideology in supporting free market, macroeconomic crisis, and the level of development of a country’s market-supporting institutions.14 Although some economists see government as a needless and costly imposition on an efficient system, many believe that government is vital performer in an organism that efficiency is only one of the goals.15 This was especially true for Turkey in the case of natural monopolies as they were considered weak market supporting institutions and their privatization did not appear in the agenda until recently. Here, privatization becomes a genuine political issue.

III. The Evolution of the Political Environment and Attitude towards Privatization

While privatization captures an economic position that slants for efficiency, and management –performance issues, the major focus here, is concentrated on a political approach because privatization is a movement that originated in political ideology, which involves business government relations. Privatization, especially in Turkey is significantly political in nature as the country, traditionally has had a long experience relying heavily on a massive state sector run by the government in which each SOE belongs to individual ministries. Ministerial ideologies differ in running SOEs, causing political obstacles. Facetious application by the bureaucrats of historical belief, which goes back to the Kemalist era that SOEs managed by the government can better serve the public interest and protect the jobs of the public, was in fact used to protect self-interests and jobs of particular ministries. As the protection of jobs became a traditional panacea, egregious economic implications were not taken into consideration. As a result, “privatization debate has never been liberated from its political charge and has never been discussed/debated in its economic merit.”16

Over the past decades, economic trends, SOE performance and government confusion on managing the enterprises caused impediments leading to less productive and inefficient SOEs and inconsistent economic developments. As a result, Turkish governments attempted to implement economic reforms. The main efforts have concentrated on privatization program designed to transfer large portions of the SOEs to the private sector. Therefore, Turkish privatization within economic efficiency does not solely consist of selling of SOEs to private investors. It refers to the transfer of roles formerly carried out entirely by government/ministries, to the private sector as well.
Yet, Privatization in Turkey has experienced a slow pace mainly due to economic and political obstacles because politicians with differing ideologies have been limited in their ability to identify opportunities and evaluate the information necessary to them. Hence, the successive governments experienced difficulties in the implementation of privatization policy, as the policies that the administrations pursued came to be questionable if privatization was the solution for the dismantled Turkish economy.

In order to clarify whether privatization in Turkey is a realistic policy option or not, it is crucial to clarify the following: Do the goals of politicians include national prosperity, economic growth, efficiency and open competitive society? If so, privatization may be realistic. Do the goals include personal power, personal gain, and a controlled society? Than privatization would not be a viable solution. To further examine the viability of Turkish privatization, consideration of political milieu is the essential first stage.

Turkish political environment is a multifaceted one. Decision-making occurs within a scene comprising the purpose in a complex political platform in which the many dimensions of the Turkish government and the range of institutional powers exist. Certain forces initially shape decision-making processes and the distribution of influence on public ministries and political parties. In Turkey each SOE belongs to a particular ministry. SOEs work as a partner with Economic State Enterprises (IDT). Individual ministries that run the SOEs have for a long time been opponents of privatization due to control and employment issues and their potential gains. The bureaucrats have been motivated to pursue a view of the public interest have also strived to achieve personal goals such as status, income and promotion. These objectives were obtained with larger budgets and more employees. Along with these conditions, the close association of unlike organisms such as politicians/political parties, bureaucrats, elite entrepreneurs and special interest groups set the tone in decision-making. The self-interests of these groups are interwoven and often set forth as the public interest that resists any change in the power structure.

The activities in policy-making and the actors vary. Although there is an institution - Privatization Administration (PA), which is in charge of privatization issues, it is not the sole entity that is responsible for privatization. The Council of Ministers has the power to privatize SOEs along with other government branches that mandate the privatization process. The actors are not fully autonomous, but subject to environmental factors that become major constraints upon the determinant of decision. Their mandates usually do not agree with each other, thereby reflecting many of the most often heard critical refrains. As a consequence, the relative importance of different sources of influence pressure different commissions including political parties.

Turkish political system has no predominant political party. Many parties align their agendas accordingly with multi-cultural factors. They make up a vital part of the political system that holds seats in the Parliament. Over the past decades, Turkish political parties have displayed divisiveness in their platforms concerning privatization and modified their stance accordingly with mass opinion. Within the party system, the differences in ideologies stem from political and social goals, providing essential guide to
cynicism and disdain of the past and clues to the dynamic developments of present time concerning privatization. Party perceptions and attitudes are crucial in identifying the enforcement of specific privatization criteria as well. In the past privatization programs, the leaders’ personal goals seemed more important than the duties of their leadership, especially for those interested in achieving and preserving power, prestige, and income. Consequently, many parties and/or leaders that came to power preferred SOEs not to be privatized, as they benefited from the SOEs considerably.

Respectively, SOE jobs were given to the constituencies after the elections. The routine was that the winning governments were appointing managers with no qualifications. SOEs were also restricted to raise their prices accordingly with high inflation, therefore generating losses. The losses were being supplemented through government finance, causing increases in budget deficits and further increasing the already high inflation. The losses were being supplemented through government finance, causing increases in budget deficits and further increasing the already high inflation. The losses were being supplemented through government finance, causing increases in budget deficits and further increasing the already high inflation. 20 Turkish privatization process has not fully achieved success as a result of political constraints wherein the privatization debate clearly experienced ideological overtones.

The impact of the divisive political platform on economic policies and on the SOE sector has been inefficient and corrupt in which the shady political elite and bureaucrats have benefited for a considerable period. Although reforming was a way to increased understanding of the opportunities, there existed pitfalls in implementing the privatization process within an atmosphere of highly charged political rhetoric. The trends in Turkish politics demonstrate how a complex political agenda can interact with a different but equally complex arena of attempted economic improvement. For many years, the interactions have not been positive, as the previous powerless and unstable coalitions make it clear that healthy relationships between participating parties obviously will be an important factor in overcoming Turkey’s problems.

The evaluation of Turkey’s privatization program in light of political developments that have taken place over the past decades is focused on analysis of the measures taken by the most influential actors and the routes that they took to gain influence. The relation between decision-making and the environment is examined empirically while applied to the framework introduced by Galal and Shirley.

IV. An analysis of Interaction

The early years 1980-1990

With the beginning of the republic, bureaucrats created a hindrance to the acknowledgment of agency problems within the public sector. Organizational paucities of SOEs were seen as the major force behind inefficiencies, therefore government authority was needed. This concept deeply affected the reforms in the public sector.21 For decades the poor financial performance, low productivity and savings investment deficit of SOEs caused inefficiencies, resulting in multiple economic constraints to the government.22 Although SOE reforms have been in the agenda in 1970-1983 periods, it was in the following era that SOEs began to be depicted as burden on economic progress for the first time.
After a Military Regime (1980-1983), the first party that came to power under the leadership of Prime Minister Turgut Ozal was the Motherland Party (ANAP). ANAP was a conservative right-of-center party that advocated free trade and private sector growth. It stayed in power successively until 1990. The ANAP governments launched structural adjustment programs periodically in order to curb economic crisis. The first structural adjustment policy marked the beginning of an era that replaced import substitution development model with an outward looking export promotion model in the domestic context. 23

Beginning in 1983, Ozal was determined to change the nature of Turkish SOEs in order to establish SOE efficiency and sustainable economic growth.24 Ozal was a true believer of Reaganomics’ supply-side approach that advocated, “Less government, more market”. He was also a supporter of Thatcherism that promoted reducing the state role. Hence, privatization came into the agenda first with Ozal’s trade and capital account liberalization program in 1984. Yet, only a few definite privatization decisions have meanwhile been taken into consideration.25

In order to implement a formalized privatization process the Turkish government realized the significance of a legal framework. However, the administration failed to do so as almost all major privatizations were challenged because they were construed as violations of the constitution. There have been numerous nullifications by the Supreme Court and the Council of State (Danistay). Nevertheless, in 1984, the first regulations Law number 2983 and in 1986 Law number 3291 were enacted. Within the framework of Law number 3291, the Council of Ministers in Turkey was authorized to make decisions on the transfer of SOEs to the Public Participation Administration (PPA). The High Planning Council (HPC) was authorized to make decision on the transfer of partially state owned companies and subsidiaries to the PPA for privatization.26 Although the law ensured some guidance to privatization, it did not prohibit SOEs from re-nationalization. In addition, Ozal administration, depending on the circumstances avoided legislative decisions and used impermanent diplomacies in later years. 27 It is crucial to emphasize here that Ozal preferred to rule with decrees rather than amendments in laws which was expedient and practical, but created room for legal challenges.

The government with the intention of implementing a contextual privatization process, decided to draw a master plan as well. Morgan Guarantee Trust Company was delegated with the master plan. In May 1986 Morgan Guaranty submitted the Master Plan in which 32 SOEs were to be privatized and the plan categorized them according to priorities such as economic viability, and investment requirements. 28 The SOEs were separated into three groups: First to be privatized SOEs by total acquisition were T.C. Turizm Bank A.S. (TURBAN), Turkish Airlines (THY), Flight Services (USAS). Companies considered to be sold by partial acquisition (sale of larger shares) were Yem Sanayi T.A.S /AnimalFeed Industry (YEMSAN), Cement Industry (CITOSAN). Etibank was to be sold by major share sales.29
Second to be privatized SOEs by partial sale, partial closings and/or reformed were Sumerbank, T.Sut Endustrisi Krumu/Dairy Product Industry (TSEK). The privatization of PTT (State postal, telephone, and telegraph services) was to be accomplished by slow pace sales. Possible Acquisitions went to ET ve Balik Kurumu (Meat and Sea Products Industry) (EBK), Coal Production Industry (TKI), Machinery and Chemical Industry (MKE), Boat and Ship Industry, and Forestry (ORUS). Possible acquisition with the support of the Government included Tea, Sugar and Paper Industry (SEKA), Petrochemical Industry (PETKIM), Mulch and Pesticide Industry (TUGDAS), Heavy Machinery and Automotive Industry (ASOK), and Coal Industry (TTK). Third to be privatized SOEs comprised public services and DMO, T. Maritime Operations (TDI), TCDD, DHMI, TMO, TZDK, TEK (State Electricity Generation and Distribution Company) and Airplane Industry.\(^{30}\)

Despite the formulation of a detailed Master Plan by Morgan Guaranty, the government decided to implement privatization according to its own objectives and began to prepare individual plans for each SOE. The government ordered each ministry that a particular SOE belonged, to establish privatization study groups. The political agenda called for political strategies of the privatization implementation of each ministry that led to the development of Government Planning Board (DBT). Consequently, the case by-case approach became the most practiced method for Turkish privatization. As Welch and Fremond (1993) emphasize case-by-case approach takes place if government sells shares in SOEs that are in the list to be privatized, through public share offerings, or mixed sales. Using this technique provides a transparent sales process and improves corporate governance.\(^{31}\) However in Turkey the case-by-case approach was implemented unconsciously, as it lacked important restructuring efforts and a clear legal framework. As a result, it displayed almost no transparency due to bureaucratic sentiments, and the absence of a sound legal framework leading to corruption. In many occasions the government maintained secrecy to avoid opponents.\(^{32}\)

On the positive side, realizing the danger of monopolies to the economy and the recent existence of competitive forces, the Turkish government decided to privatize some key monopolies in view of the technological changes and recent competitive forces. These monopolies were once regarded as crucial government entities. As Ramamurti suggests in his theory of Industry-Level Determinants, which concerns state ownership, generally governments favor monopolies because they are depicted as a savoir of market failures. In the past public utilities created natural monopolies and private firms disregarded crucial externalities. However, monopolies in certain industries became more competitive over the years making them likely to be privatized. Many cases were due to technological changes. Therefore, changes in industry structure of these entities and changes in regulatory regime are crucial for deregulation, transparency and credibility for successful privatization. During the 1980s SOEs witnessed several regulatory innovations, which stretched the role of private firms in public utilities sector. Monopolies such as gas or power distribution could from then on, be regulated through yardstick competition, or price cap regulation, thereby making state ownership obsolete.\(^{33}\)
Considering the environmental changes that took place, the Turkish government decided to start privatization with various monopolies. One of the first companies that were to be privatized was PETKIM (Petrochemical Holding Company.) PETKIM is an oil and gas producer and it is one of the top four companies in Turkey. The government also proposed to sell its equity shares in joint stock companies indeed this was the easiest to do, therefore making a very logical first step. But, the first implementation of the privatization process showed slow progress and limited success and did not include key monopolies due to political and legal constraints, nationalistic sentiments and the lack of implementation capacity.  

Privatization however accelerated as the government sold its minority shares in various smaller SOEs. Only a small number of SOEs were privatized at first. In line with Law No. 3291 of 1986, privatization procession began with block sales and/or through sale offerings direct to the public. Shares of privatized companies were first offered to their employees, then to domestic investors, Turkish workers abroad and lastly to foreign investors. With these transfers, the government showed its commitment to the privatization plan and its determination to expand it.

Table II, shows the methods used in privatizing and that from 1985 to 1989, 41 companies were taken into the privatization portfolio.

<table>
<thead>
<tr>
<th>Year</th>
<th>Block Sales</th>
<th>Public Offering</th>
<th>Istanbul Stock</th>
<th>Uncompleted Deals/Trust Fund Sales</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>International/ Domestic</td>
<td>Exchange</td>
<td>Sales</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>1986</td>
<td>7</td>
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<td>1987</td>
<td>1</td>
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<td>1988</td>
<td>1</td>
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<td>6</td>
</tr>
<tr>
<td>1989</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19</td>
<td><strong>1</strong></td>
<td><strong>9</strong></td>
<td></td>
<td><strong>41</strong></td>
</tr>
</tbody>
</table>

Source: Privatization Administration of Turkey

Although with these sales privatization was gaining momentum, the process was slow due to political constraints. In 1987, when the Turkish political system allowed an unrestricted party competition once more, ANAP won the elections yet again. During this administration, however the focus was easing party tensions and differing ideologies of the party system. In contrast, Ozal’s narrow social and cultural views and resistance from the army overshadowed full reforms and generated more obstacles. Nevertheless, Ozal enacted important reforms in the economic arena. With these reforms he facilitated a departure from import substitution development strategies and steered the country towards a market economy. However, he failed to emphasize institutions of market economy, hence opened the door for massive wealth creation as well as corruption and moral decay. Nevertheless, with the implementation of reforms, Ozal satisfied the condition of political desirability during early years of his administration.
These privatization cases did not generate any opposition from unions and other interest groups since they were more concerned with larger sectors. More importantly, the 1982 Constitution suspended trade union activities, the collective bargaining process and prohibited strikes as well. The legislation in 1983 on trade unions further ensured the prohibition. However, despite the legislative changes concerning trade unions, those operating in the public sector remained active and restructured bargaining activities.\(^{37}\) The interest groups looked to the administration for satisfaction of their political demands. Since the interest groups were part of the major constituents of the administration, the government tried to maintain control without making them overly unhappy by securing various jobs. At this juncture, political desirability was further satisfied.

The leadership worked, as a partner with other government branches as well and maintained synergy with them to carry out reforms. The government held majority in the legislature, thereby it controlled the policy-making agencies; hence there were no oppositions from other government branches. The administration facing no oppositions fulfilled political feasibility measure.

After some small-scale privatizations cases, the privatization initiatives began to accelerate in 1989. High Council Planning Board began to transfer various SOEs to the Privatization Administration; some monopolies such as cement industry were also included in the privatization plan.\(^{38}\) With these transfers, the government showed its commitment to the privatization plan and its determination to expand it. Although reforms were not substantial and lacked structural planning, the government stayed committed to its minimal reforms and satisfied political credibility to some extent.

However, in later years, Ozal administration’s privatization attempts of some monopolies clearly showed inefficiencies in political, economic and legal spheres in which a nationalistic pandemonium of bureaucrats played a significant role. In the sale of monopolies the government pursued dual strategies. At first, Ozal tried to encourage entrepreneurs for the sale of monopolies, however, entrepreneurs have responded to the opportunity of privatization negatively. Initially there were no oppositions and no involvements from entrepreneurs since imperfectly competitive markets limited the number of buyers thus entrepreneurs preferred acquiring the management rights rather than taking part in the actual sale processes. Later Ozal pushed for sales to foreign investors that led to a major reaction, which slowed the process.\(^{39}\) This change in policy created a major opposition because state monopolies were depicted as pride and joy of the state within a nationalist perspective. The following cases illustrate the events that delayed privatization attempts considerably.

In 1989, privatization was first implemented by public offerings or block sales to foreign investors of cement factories CITOSAN and a catering service, USAS. USAS and CITOSAN were monopolies thereby their sales created controversies. The sales of both of these companies to foreign investors were proceeded without first been offered to the public as the law required. The controversy led to criticisms by the unions and the media and eventually opposition parties brought a debate to the Parliament. After a series of
legal debates, the Council of State (Danistay) ruled that the $105 million sale of CITOSAN’s 51% of cement plant to Societe des Ciments Francais and the $14 million sale of USAS to Scandinavian Airlines were null. The Council of State also ordered the government to renegotiate the deals and offer the shares to employees with a ruling that denationalization should be offered to Turkish citizens first. The government asked the Council of State to reconsider its decision, however, the decision stayed in tact and strained the relations between the government and the Council of State. Here, the condition of government credibility was inexcusable undermined. The nationalistic sentiments along with opposition from the Council of the State and the other parties were further renowned with the sale of another major company that was also crucial for the progress of privatization.

The sale of PETKIM, a profitable monopolistic petrochemical company too received adverse reactions from the trade union and many other interest groups as the company was regarded as public enterprise that was important to Turkish economy. PETKIM being a wholly state-owned company employed 8,000 workers that had a strong trade union connection, which was influential within the opposition parties and the general public. This sale created various debates by academics, bureaucrats, and employees as well. However, in this case, the government going by the law, first offered the shares to the company employees and the public, when these groups bought only 8 percent of the shares, the government looked into selling the rest of the company to foreign institutions. The opposition from the union put off the sales of remaining shares of the company for a considerable period. Concern over the loss of jobs has led to a strong opposition from trade unions and other groups such as TUSIAD (principal organizations of corporate business). TUSIAD became another impediment for foreign investor participation on the basis of biases that avoided foreign participation and further benefited the domestic entrepreneurs.

PETKIM’s sale as a final point was entrusted with Morgan Stanley Dean Witter as the advisory firm. 8.1 percent of its shares were sold for $150.6 million in 1990 through a public offering. PETKIM was in the highest echelon concerning profit stipulations with profits of $507 million in 1996 when ANAP was no longer in power.

Both of these cases further delayed the privatization of monopolies and stalled reforms. Although the government implied determinacy to go ahead with the privatization process, many privatization cases were left uncompleted for sometime. At this stage, the negative interaction between the government and the Council of State along with political ferment of the opposition groups such as the unions, SOE employees and entrepreneurs denoted that political feasibility and political credibility were not satisfied; privatization was stalled, as the sales were not finalized.

Social motives and political obstacles from than on took on an antagonistic agenda for the privatization process not to accelerate fully. The year 1989 experienced difficulties due to political party fragmentation and political backlash from various groups that opposed to the sale of SOEs to foreign firms. During the course of the year both the political parties and individual interest groups pressured the government and formed campaigns
against sales to foreign investors. Accordingly, Ozal years displayed poor planning and impediments by the opposition, which hindered privatization efforts. Court cases against sales to foreigners laid in Turkish nationalist sentiments by emphasizing that Turkish interest should have first option. Persistent social inequalities, protracted economic strain, apparent failure of democracy exhausted the process of privatization.

On the positive side, Ozal implemented different strategies in order to integrate Turkey with the world economy and became somewhat successful. The increase in wealth and expertise during the past years has produced a different type of constituent group of business people that has not only pushed the state toward further economic liberalization but expansion in other areas as well. However, Ozal administrations on many occasions did not abide by the established rules. By handing government contracts to the new class of entrepreneurs and businessmen, bureaucrats were encouraged to take advantage of liberalization. This process awarded tenders to the ones who were close to the party, in addition the sales were not transparent, thus ANAP itself became the contractor leading to several corruption cases. The leadership failed to establish checks and balances thereby failed to ensure limited government that created the corrosion of the political system. Ozal administrations transformed “the partially legal rational and partially patrimonial bureaucracy into a rational-productive one.” This patrimonial bureaucracy further increased with the post-Ozal period in which corruption became a part of daily life. Thus, neither political feasibility nor desirability-credibility measures were gratified.

Despite the privatization and the liberalization attempts of the Turkish economy by the Ozal governments, a substantial progress in privatization was not achieved due to the lack of necessary safety mechanisms such as independent judiciary and accountability measures. Consequently, Ozal, in later years lacked decisive parliamentary majority and the political mandate to properly reform and structure SOEs. Gradually, the conventional bureaucracy came to oppose Ozal’s liberal methods, which made the implementation of reforms difficult with the absence of clear political authorization. Towards the end of the 1990s apprehensions for government efficiency were mounting. By 1991 ANAP’s popularity began to vanish and it eventually lost the October 1991 elections. From that point on privatization started becoming less feasible and desirable.

Although the government tried to juggle both economic and political problems and tried to stay committed to economic transformation, reforms in the SOE sector were not fully implemented, as there were no conceptual separation of policy, financing, ownership and management. Throughout the Ozal administrations there were several underlying tribulations in relation to the privatization program: no fundamental change in the components of the privatization program occurred; rules and procedure were gone by the way side and it was going to take a considerable time to revive; the privatization program was not coherent; the period witnessed strikes and political backlash. Therefore, the Ozal government did not satisfy full political desirability.

The judicial and constitutional norms were applied asymmetrically or not applied at all; the government experienced pressures triggered from various sources such as the Council
of State, which periodically intervened and cancelled sales or stalled privatization; opposition parties took sides or urge action when their own interests were involved; the effectiveness of the government oscillated sporadically, thus the leadership once in the early years that fulfilled political feasibility, no more satisfied the condition. Although disputes pitted against the government, government credibility was somewhat achieved since the administration stayed committed to reforms and tried to make its constituents happy. From the early Ozal period to the later one, feasibility and/or desirability gradually decayed. This decay also became apparent with the policies that the successive governments followed.

The main achievement during his administration was the introduction of a free market economy. Ozal’s reforms brought Turkey impressive benefits; average annual growth rates over the past decade became the highest of the Organization for Economic Cooperation (OECD).\(^{52}\) As a result of reforms, between 1980 and 1988 the annual average GDP was 4 percent.\(^{53}\) After a relative slow down in economic activities in 1989, a quick recovery took place by the domestic demand.\(^{54}\)

The mid period 1990 to 1998

The Turkish political sphere in the 1990s differed considerably from the 1980s regarding party fragmentation and ideological view, when the coalition governments returned to scene with policy of confrontation. From that point on Turkish politics have been characterized as unstable.\(^{55}\) The subsequent weak governments were not able to obtain support in the Parliament to implement economic reforms.\(^{56}\)

The proceeding coalition administrations were short lived. ANAP came to power once more under the leadership of Mesut Yilmaz from June 1991 – November 1991. Due to its short-lived administration, this government was not able to modify the privatization program. Between November 1991 and 1993 a coalition government led by Suleyman Demirel took office. Although Demirel’s True Path Party (DYP) was a supporter of privatization, its coalition partner, the Social Democratic Populist Party (SHP) was not. This party supported greater intervention by state in industry.\(^{57}\) Therefore, the government did not implement SOE reforms at this stage due to the differing ideologies within the administration, which slowed the privatization process. Hence, the three conditions introduced by Galal and Shirley: Political Desirability, Political Feasibility and Government Credibility were not satisfied.

Nevertheless, from 1984 to 1992 there were 112 SOEs offered for sale, but only 32 were effectively privatized and majority of these were small corporations.\(^{58}\) By the end of 1980s the public demand for denationalization of stock was on the rise. In 1991 privatizations of TUPRAS (petrochemical refineries/ one of the top four companies) and POAS (leading petroleum distribution company) were on the agenda.\(^{59}\) The government also planned to sell its remaining shares of PETKIM by block sales.\(^{60}\) Although, it concentrated on the most profitable SOEs, this was a great leap towards privatization, since energy was one of the difficult sectors to be privatized because the government held
strong shares. However, none of these privatization cases were fully actualized at that time due to political constraints.

When True Path Party (DYP) came to power once more, it was under the leadership of Prime Minister Tansu Ciller. The Ciller administration enjoyed three successive coalition governments that lasted from June 25, 1993 to March 12, 1996. From the beginning of her administrations, Ciller tried to follow the footsteps of Özal and privatization became the essence of her policy, as Ciller was determined to accelerate the privatization process and restructuring the economy.

Although Ciller’s party and its coalition minority partner, the Social Democratic Party (SHP) had popular consensus, Ciller soon became a victim of political compromise. Political issues came to jeopardize full attention of the government on privatization in 1994. When the privatization of the power sector came into the agenda, some members of the coalition did not approve Ciller’s privatization ideas and the opposition groups used the Constitutional Court to stop privatization. This was especially true in the case of Turkish Electricity Board (TEK), which had been a major loss maker. The TEK privatization was included in the IMF standby agreement to be privatized as well. However, the Constitutional Court nullified the privatization of TEK by decree. This was a great challenge to Turkish privatization, which negatively impacted the growth of the economy and sidestepped privatization efforts. These events proved that other government institutions still had power over the incumbent government. Since leadership could not overcome opposition from other institutions and had to abide by the rule of the Constitutional Court it could not pursue privatization, therefore political feasibility was not achieved.

During this time, the country’s economic problems and inflation continued to worsen due to imbalances and a large current account deficit accumulated by the SOEs. Turkey faced hyperinflation and anarchy continuously that impacted economic growth reproachfully. Persistent balance-of-payments problems resulted almost in bankruptcy as the due debts fell through, loans diminished and foreign investments declined. Denationalized companies were nationalized and various factories were shut down leading to high unemployment, which reached to 40 percent. Subsequently, Turkey began to experience economic instability in 1994, forcing the Ciller government to introduce a new package of policies – April 5 Decisions. With the new program, Ciller further showed her commitments to reform. The new package required the collection of additional taxes from the wealthy. It also compelled closing non-profitable SOEs and many of them were eventually shut down. The package imposed cuts in public works investment as well. The leadership also attempted to overcome the budget deficit by putting emphasis on the privatization of SOEs in international market and took a fresh stance to stop SOEs from draining the state money. The government tried to prevent inequality in the tax system, furthermore reducing the rate of inflation to 70 percent a year. Finally, Turkey came out of the 1994 crisis, but with a huge cost to its economy.

The following table displays that populist cycle initiated by Ozal caused large public sector deficits, contributing to the currency crisis of 1994 and persistent increase in inflation.
In 1994, the privatization program encountered several legal problems; as a result, the government opted for a new privatization law. The legal procedures for the sale of SOEs initially began in 1980, but took longer than it was expected. The legislations were enacted by the parliament in 1984, 1986, and 1994, with various amendments and decrees. In 1994 a new framework Law 4046 on privatization was enacted to remove the obstacles caused by an inadequate legal infrastructure. However, the law still did not prohibit re-nationalization of the companies.

The new Law proclaimed the Privatization Administration (PA) as the executive body. It gave authority to the Privatization High Council (PHC) to transfer SOEs to the board. The method of the privatization and approving issues related to the Privatization Fund also became some of the responsibilities of the PHC. The most used methods were block sales and public offerings. At first, the law provided for the sale of 17 SOEs that was an investment opportunity of about $40 billion. Although it incorporated a wide range of industries, the primary focus was on the telecom and utilities. Between 1985 and 1995, a total of 157 SOE were taken over by the PA, many were 100 percent state owned enterprises. However, only 108 SOEs were privatized, which were partially state-owned were privatized.

During this time, government’s relationship to the private economic sector was modified in response to changing views about government’s general domestic responsibilities.
After some positive attempts for privatization and reform, the successive Ciller governments left the reform programs unfinished. During the Ciller years, Turkey witnessed over extension of the government and little expansion in privatization process. Repeated breakdowns in administrative procedures led to difficulties in decision-making in which coordination with other government institutions regarding privatization failed. Therefore, political desirability and credibility were not achieved during Ciller administrations. Subsequently, none of the successive governments would achieve any of the conditions introduced by Galal and Shirley, as the political dilemmas were to become more acute.

When Necmettin Erbakan and is Welfare Party came to power in 1996 as a part of a coalition government with Ciller’s party, political crisis escalated. The military and the secularist establishment had given their reluctant approval to the formation of the Welfare-True Path coalition government. At this time Turkey’s long-term debts worsened and the government downgraded the country’s rating, leading to increased cost of international borrowing. Ciller did not have support neither for reforms nor for privatization from Erbakan. Prime Minister Erbakan’s populist policies illustrated little interest for privatization, the government instead increased public sector wages by 50 percent, gave incentives and tax breaks to the poor and small farmers and waived their debts. Opposing views and disagreements within the coalition about opening Turkey to free market, left public unconfident of government’s policies. As the opposing sentiments have gained a substantial foothold among parties, the government was not able to implement serious reforms. Therefore, this administration did not satisfy political desirability and credibility.

Political obstacles to privatization mounted again, when the military decided to intervene to save the regime from the Islamist menace. However, this time there was no direct government overthrow and the military chose an “education campaign” to inform people of the dangers of political Islam and the coalition government. Subsequently, the Welfare Party in the Parliament was closed down. Political change in Turkey was achieved with the unconcealed involvement of the armed forces. Since the government could not overcome opposition from government institutions and the military, once again, political feasibility was not satisfied.

The political crises experienced during this period became the main inhibiting factors for reform and privatization. Equally, the political feuds prevented the successor governments from addressing the economic problems; in addition incomprehensive legislative framework has for a long time hindered privatization. Conversely, since the three conditions desirability, feasibility and credibility were not satisfied, successful privatization was not implemented.

With the fall of Erbakan administration, ANAP government headed by Mesut Yilmaz came to power and began to hold key economic posts within the coalition government. It controlled the lucrative privatization projects, tenders for independent power plants, electricity and power distribution. The government eventually, suffered from corruption allegations. The first allegation came after the conclusion of the tender of independent
power plants that had a lack of transparency in the procedure. Three out of five plants were given to a consortium headed by a Turkish company that had strong ties with Yılmaz and his party. The government lost confidence of the public, as it was unable to present a reasonable clarification for the development. 77

Another important development in the corruption scandal involved the sale of 51 percent of the shares of Petrol Ofisi, the largest oil distribution system. The sale was done before live TV cameras in order to induce international financial community and the public to believe that the sale was transparent. However, the negotiations were done secretly and the sale was awarded to a third bidder; the government, yet again did not have any explanation for the predicament. 78 Proceedings, ultimately led to the Motherland-led coalition headed by Mesut Yılmaz to collapse in 1998. This was the first Turkish government that received a no confidence vote on corruption allegations. 79 Therefore, the Yılmaz government as well did not satisfy political desirability, political feasibility, and credibility measures, just as the previous ones. Conflict, confrontation and stalemate came to characterize his administration.

Although between 1986 and 1998 only $4.5bn worth of assets, representing less than 10% of the outstanding state owned assets, could be divested (See table IV), privatization growth was incoherent and uncoordinated.

**Table IV.**
Privatization Revenues (US$ Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Block Sales</th>
<th>Public Offerings</th>
<th>Istanbul Stock Exchange</th>
<th>Uncompleted Deals</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td></td>
<td>6.703.2</td>
<td>9.209.1</td>
<td></td>
<td>6.703.2</td>
</tr>
<tr>
<td>1986</td>
<td>.522.0</td>
<td>5.787.4</td>
<td>8.103.9</td>
<td></td>
<td>10.432.0</td>
</tr>
<tr>
<td>1987</td>
<td>131.3</td>
<td>261.4</td>
<td>10.039.3</td>
<td></td>
<td>10.432.0</td>
</tr>
<tr>
<td>1988</td>
<td>13.588.2</td>
<td>10.432.0</td>
<td>411.4</td>
<td></td>
<td>10.432.0</td>
</tr>
<tr>
<td>1989</td>
<td>121.197.1</td>
<td>10.432.0</td>
<td>355.3</td>
<td></td>
<td>27.445.1</td>
</tr>
<tr>
<td>1990</td>
<td>13.588.2</td>
<td>10.432.0</td>
<td>781.4</td>
<td></td>
<td>131.187.6</td>
</tr>
<tr>
<td>1991</td>
<td>320.580.0</td>
<td>165.070.8</td>
<td>258.4</td>
<td></td>
<td>485.909.1</td>
</tr>
<tr>
<td>1992</td>
<td>43.505.5</td>
<td>72.773.3</td>
<td>20.091.6</td>
<td></td>
<td>243.302.9</td>
</tr>
<tr>
<td>1993</td>
<td>364.105.8</td>
<td>23.929.5</td>
<td>141.367.3</td>
<td></td>
<td>545.545.3</td>
</tr>
<tr>
<td>1994</td>
<td>7.754.0</td>
<td>332.824.2</td>
<td>66.169.0</td>
<td></td>
<td>411.361.0</td>
</tr>
<tr>
<td>1995</td>
<td>312.881.5</td>
<td>23.929.5</td>
<td>181.939.2</td>
<td></td>
<td>514.556.5</td>
</tr>
<tr>
<td>1996</td>
<td>217.990.0</td>
<td>1.988.8</td>
<td>72.020.1</td>
<td></td>
<td>291.998.9</td>
</tr>
<tr>
<td>1997</td>
<td>251.150.0</td>
<td>214.368.0</td>
<td>465.518.0</td>
<td></td>
<td>910.026.2</td>
</tr>
<tr>
<td>1998</td>
<td>258.050.0</td>
<td>627.877.2</td>
<td>24.094.0</td>
<td></td>
<td>910.026.2</td>
</tr>
<tr>
<td>Total</td>
<td>2.002.154.3</td>
<td>1.391.074.4</td>
<td>523.763.1</td>
<td>557.194.3</td>
<td>4.474.177.1</td>
</tr>
</tbody>
</table>

Source: Privatization Administration, Turkey

Between 1984 and 1998, 204 companies were taken into the privatization portfolio, mostly by public offerings and block sales.

**Table V.** Number of Privatization cases and Privatization Methods and number
The following tables (VI and VII) display the largest Block Sales and public offerings since 1984.

**Table VI: Largest Block Sales: 1984-1999**

<table>
<thead>
<tr>
<th>Company</th>
<th>Block Sale(%)</th>
<th>Acquirer</th>
<th>Date</th>
<th>Value ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ETİBANK</td>
<td>100.00</td>
<td>MEDYA:IPEK HOLDING A.Ş.</td>
<td>02/03/98</td>
<td>155,500,000</td>
</tr>
<tr>
<td>LALAPAŞA ÇIMENTO</td>
<td>100.00</td>
<td>RUMELİ ÇIMENTO A.Ş.</td>
<td>14/06/96</td>
<td>125,890,000</td>
</tr>
<tr>
<td>KÜMAŞ</td>
<td>99.74</td>
<td>ZEYTINOĞLU HOLDİNG A.Ş.</td>
<td>28/09/95</td>
<td>108,100,000</td>
</tr>
<tr>
<td>SÜMERBANK</td>
<td>100.00</td>
<td>İPEKS TEKSTİL SAN. A.Ş.</td>
<td>17/10/95</td>
<td>103,460,000</td>
</tr>
<tr>
<td>DENİZLİ ÇIMENTO</td>
<td>100.00</td>
<td>MODERN ÇIMENTO</td>
<td>04/12/92</td>
<td>70,100,000</td>
</tr>
<tr>
<td>ANADOLUBANK</td>
<td>100.00</td>
<td>MEHMET RÜŞTÜ BAŞARAN</td>
<td>07/05/97</td>
<td>69,500,000</td>
</tr>
<tr>
<td>DENİZBANK</td>
<td>100.00</td>
<td>ZORLU HOLDİNG</td>
<td>29/05/97</td>
<td>66,000,000</td>
</tr>
<tr>
<td>İPRAGAZ</td>
<td>49.33</td>
<td>PRIMAGAZ A.G.</td>
<td>27/01/92</td>
<td>64,066,776</td>
</tr>
<tr>
<td>İSKENDERUN ÇIMENTO</td>
<td>100.00</td>
<td>OYAK-H. ÖMER SABANCI</td>
<td>02/12/92</td>
<td>61,500,000</td>
</tr>
</tbody>
</table>

**Table VII: Public Offerings 1984-2000**

<table>
<thead>
<tr>
<th>Gov. Share</th>
<th>Share Sold</th>
<th>Date</th>
<th>Value ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFYON ÇIMENTO</td>
<td>48.60</td>
<td>39.87</td>
<td>21-26.03.1991</td>
</tr>
</tbody>
</table>

Source: Privatization Administration of Turkey
Tables VI and VII show that block sales and public offerings were used as major privatization methods. However, as table V summarizes the process was slow.

Most governments’ policies regarding privatization were responses to short-run gains and shifting political and social objectives, rather than economic objectives. Inexistence of rational governments, lack of priorities, conflicting objectives further constrained the privatization process and the economic growth. Since the three conditions of Galal and Shirley were mostly not met, Turkish political milieu proved itself immature in reforming and privatization. However, the next period of fundamental political change showed key modifications and a profound shift towards the privatization program.

V. Recent Developments in Turkish Privatization 1998 - present.

While privatization program in Turkey was launched in 1984, it was not accelerated until 1998, as it has been subject to political disputes and resistance from many interested in keeping the status quo. Delays were the result of lack of consensus among successive coalition governments. However, the late 1990s showed a different picture regarding political ideologies of various parties. Their stand toward privatization began to change for the positive and many seemed to agree with the privatization process. In order to examine important political developments, it is important to examine Onis’ table on 1999 election regarding party orientation. The following partial illustration of Onis’s table shows “privatization as a measure of commitment to reducing the direct involvement of the state in economic affairs.”

<table>
<thead>
<tr>
<th>Party</th>
<th>Privatization</th>
<th>Decentralization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motherland</td>
<td>Strongly in favor</td>
<td>Strongly in favor</td>
</tr>
<tr>
<td>Democratic Left</td>
<td>Strongly in favor</td>
<td>Strongly in favor</td>
</tr>
<tr>
<td>Republican People’s</td>
<td>Qualified Endorsement</td>
<td>Strongly in favor</td>
</tr>
<tr>
<td>Nationalist Action</td>
<td>Least favorable</td>
<td>Mixed</td>
</tr>
<tr>
<td>Virtue</td>
<td>Strongly in favor</td>
<td>Strongly in favor</td>
</tr>
<tr>
<td>HADEP</td>
<td>Unfavorable</td>
<td>Strongly in favor</td>
</tr>
</tbody>
</table>
As the table depicts, the political ideologies began to converge, although within a complex political milieu. The positive shift in political ideologies came to prove itself in the coming years.

In 1999, a three-party coalition between Bulent Ecevit’s Democratic Left Party (DSP), the rightwing Nationalist Action Party (MHP) and the conservative left-of-center Motherland Party (ANAP) came to power. Ecevit administration’s policies so far maintained the coalition government and political stability of the country since many politicians have finally realized the importance of economic reforms and shared similar views. The year 1999 emphasized a new approach on privatization with the coalition government’s insertion of the privatization concept into the constitution. This modified version of Article 47 of the constitution refers to nationalization and to privatization by given a solid basis for the privatization process. In April 1999, the Parliament approved crucial changes in legislation necessary for structural reforms.81

Constructive events followed, seeing that in December 1999, Turkey entered into a $4.0 billion standby credit agreement with the IMF. The agreement concluded that Turkish government needed to stay committed to reforms. The implementations of these reforms already came into effect. Structural reforms include fiscal reforms through tax, social security and agricultural subsidy system reforms, the promotion of privatization of SOEs, and the banking system reform.82 The reforms also include the energy sector. Energy has been one of the most important Turkish development priorities as in the past it lacked financial resources and faced diverse political objectives. Bureaucracy also inhibited the growth of Turkey’s energy market for a considerable time.83 Finally, in 1997 energy privatization program was launched and in 1998 legal clearance was given to privatize electricity generation and distribution under special strategies. In addition, energy privatization gained new momentum with the establishment of the new government.84

As a result of privatization, Turkey has acquired $7.3 billion in 15 years. POAS state-operated petroleum company privatization for $1.26 billion of 51 percent of its shares, has been effected as of April 30, 2000. The country’s privatization target is $7.1 billion in 2001, with the expected full privatization of Turk Telecom, Turkish Airlines, PETKIM and TÜPRAS.85 Therefore, the new government already illustrated its commitment to privatization process with the privatization of various monopolies.

Ecevit government unlike the previous ones does not have a populist policy; it is abstaining from hiring his constituencies that have partisan influences. The new government believes in acceleration of privatization and that bureaucratic hindrances and corruption that are in the way of foreign capital must be removed. It also seems to be eager to educate workers to view privatization in a more objective manner.86 This government is the first the Turkish government so far that showed determination with structural reforms in sectors ranging from banking to agriculture and has succeeded in
passing important bills required for structural reforms. The government is committed to privatization of SOEs, efficiency, and economic growth, thus it is attempting to restrain increases in domestic public debt, and strengthening the financial system based on the new financial legislation.

VI. Conclusion

As the recent political and economic trends exemplify that democratic values regarding privatization emphasized in the thinking of the parties and other government institutions have changed for the better. Similarly, growing emphasis on promoting economic and social equality through government action has given rise to new administration. Administrative values have been both redefined and reordered in relative importance. In sum, then, bureaucracy is under pressure because political insulation provided by the merit system has come to frustrate both the leaders and Turkish citizens, who have found professional bureaucrats inaccessible and/or unresponsive. Bureaucracy is under pressure because it is now seen as a major obstacle that needs to change. Healthy relationships between participating parties obviously will be an important factor in overcoming Turkey’s problems and implementing a successful privatization program.

Finally, the overview of the accomplishments of this administration concludes that political desirability, political feasibility and government credibility measures are already met within a very short term. Yet, the future of privatization in Turkey remains to be seen.
Notes

1 Notes from Professor Bulent Aybar, 2000.
2 Notes from Professor Bulent Aybar, 2000.

5 Ibid.

9 This discussion is quoted from Professor Bulent Aybar’s class lecture, September 2000.
10 This table was taken from Asaf Savas Akat: “The political economy of Turkish inflation”. Journal of International Affairs; New York; Fall 2000, vol.54, issue1, p(265-282).


14 Ibid.

16 Notes from Professor Bulent Aybar, 2001.
17 Yilmaz Dikbas, Ozellesitme Somurgelestirme (Istanbul: Kaynak Yayinlari, 1997).

21 Ibid.

24 Bordewich, Fergus. “From anarchy to modernity; a new economic order approved by the IMF Fund may save a struggle democracy.” The Atlantic, Dec 1984 v254, p44(5).
26 See report prepared by Privatization Administration, Turkey, 2000.
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29 Ibid.
30 Ibid.
32 Baran, Zeyno, “Corruption: The Turkish Challenge”. Journal of International Affairs; New York; Fall 2000
38 Ibid.
45 Bordewich, Fergus. “From anarchy to modernity; a new economic order approved by the IMF Fund may save a struggle democracy.” The Atlantic, Dec 1984 v254, p44(5).
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48 Ibid.
49 Ibid.
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52 Edward C. Schultz: Turkey listed one of the world’s 10 Big Emerging Markets. Boulder County Business Report, 1996.
53 See prepared report by the Directorate General of Economic Research of the under secretariat of The Treasury of Turkey, 1998.
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T.C Basbakanlik


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