

TURGUT ÖZAL'S VIEWS ON THE RELATIONSHIP
BETWEEN POLITICS AND ECONOMY

106931

A Thesis

Submitted to the Department of
Political Science
and
Public Administration
of

Bilkent University

In Partial Fulfillment of the Requirements

for the Degree of

Master of Arts

106931

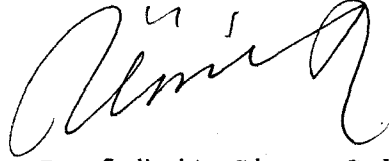
T.C. YÜKSEKÖĞRETİM KURULU
DOKÜMANTASYON MERKEZİ

by

Ümit İldan

September 1991

I certify that I have read this thesis and in my opinion it is fully adequate, in scope and in quality, as a thesis for the degree of Master of Arts in Political Science and Public Administration.



Assist. Prof. Ümit Cizre-Sakallıoğlu

Supervisor



Assist. Prof. Ayşe Kadioğlu

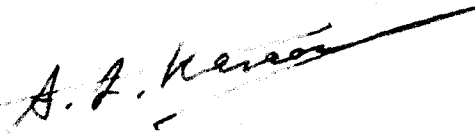
Member of Examining Comm.



Prof. Dr. Victor C. Funnell

Member of Examining Comm.

I certify that this thesis conforms the formal standards of the Institute of Economics and Social Sciences.



Prof. Dr. Ali L. Karaosmanoğlu

Director of the Institute

of Economics and Social Sciences

ABSTRACT

The subject of the thesis is to demonstrate the nature of the aggregation of political and economic power by a Turkish political leader, Turgut Özal, the then Prime Minister (1983-89), on the economy in Turkey during the 1980s. The study tests the assumption that "the economy is above everything" for him as the main determinant of Turkish political life since 1983.

In Turkey, economy has become a fashionable issue among the politicians and the Turkish people since the beginning of the 1980s. After 1983, the then Prime Minister Turgut Özal was the dominant actor acted as a sole authority on the economy. He was both a decision-maker and a policy-maker on political and economic issues. Moreover, in the international relations arena, he constructed tight relations between Turkey and the rest of the world on the basis of economic affinities.

Consequently, the conclusion affirms the assumption that the economic restructuration is above everything for Özal.

ÖZET

Tezin amacı Türkiye'de, 1980'lerde, o zamanki Başbakan (1983-89) Turgut Özal'in bir politikacı olarak ülke ekonomisindeki ağırlığını göstermek ve 1983 sonrası Türk siyasi hayatının ana belirleyicisi olarak "Özal için ekonomi herşeyden önce gelir" varsayımını kanıtlamaktır.

1980'lerin başından beri, Türkiye'de politikacılar ve Türk kamuoyu arasındaki en popüler konu ekonomi oldu. 1983 sonrasında, o zamanların başbakanı Turgut Özal ekonomide tek söz sahibi olarak etken bir rol oynadı. Aynı zamanda uluslararası ilişkiler alanında ekonomik ilişkiler bazında Türkiye ve diğer ülkeler arasında yakın ilişkiler kurdu.

Sonuç kısmı, "Özal için ekonomide yeniden yapılanma ve ekonomik meseleler herşeyin üstündedir" savını onaylamaktadır.

ACKNOWLEDGMENTS

I would like to express my gratitudes to Assist. Prof.Ümit Cizre-Sakallıoğlu, my thesis supervisor, for her excellent suggestions, comments and corrections. Thanks are also due to Prof. Dr.Metin Heper, the chairman of the department of Political Science and Public Administration, for his encouragement and useful guidance.

I am particularly grateful to Mr. Can Pulak, Press Counselor of the President Turgut Özal who provided me the necessary documents. I wish to thank Mr. Tefvik Ünver, Press Counselor at the Prime Minister's office for his valuable support to collect the speeches of Özal to complete my thesis.

Also, I owe many thanks to Süheyla Özyıldırım, assistant at the department of Economics at Bilkent University for her contributions to my computer knowledge with patience.

Finally, but of course, not least, I thank to my mother and my father for their sincere encouragement to finish this thesis.

CONTENTS

THESIS: Turgut Özal's Views on the Relationship between Politics and Economy

Abstract.....	i
Özet.....	ii
Acknowledgments.....	iii
Contents.....	iv
Introduction.....	1
Chapter One: POLITICS AND ECONOMY WITH SPECIAL REFERENCE TO TURKEY.....	3
Chapter Two: ÖZAL AND THE SIGNIFICANCE OF THE ECONOMY.....	23
Chapter Three: ECONOMY AND DOMESTIC POLITICS.....	45
Chapter Four: ECONOMY AND INTERNATIONAL POLITICS..	73
Conclusion.....	94
Selected References.....	97

INTRODUCTION

The focal problem of this thesis centers around the explanation of the notions of Turgut Özal who shaped the appearance of Turkey economically, politically and socially, during the 1980s. His philosophy can be summarized as follows: 'the economy is above everything'.

This study consists of four chapters. The first chapter intends to provide an introduction to the relationship between politics and economy in the course of history. While a brief historical framework is employed to direct attention to the relations between economy and politics at the international level, mainly, the approach of the Turkish politicians to the economic issues is examined including the Ottoman period.

The second chapter covers the overall notions of Mr. Özal on the importance and necessities of the relationship between politics and economy. The significant indicators on his philosophy that 'the economy is above and at the beginning of everything' is analyzed in his own words and speeches in this section.

The third chapter contains detailed thoughts of Turgut Özal on the affinity between politics and the economy for the Turkish case specifically.

In the fourth chapter, the effects of the Turkish economic policies accompanied by the structural adjustment program on the international relations of the country is explained within the framework of Turgut Özal's views.

And finally, in the concluding section, a short evaluation of his thoughts that are reviewed in the preceding chapters is forwarded.

Chapter One

POLITICS AND ECONOMY

WITH SPECIAL REFERENCE TO TURKEY

Politics has been a long-standing interest for many people over the centuries. Almost all the great philosophers of the western world, Plato, Thomas Aquinas, John Locke, and countless others recognized its importance by thinking and writing about politics at great length.¹ Each of them has given at least one definition of it in a different framework. The most classical one is given by Aristotle who called it as "the master science" to indicate its occupation with the process by which human beings attempt to control their fate on earth.² Politics is indeed, the foremost arena in which and through which, throughout history, some men have established their dominion over others³ in the broadest sense of the word.

Politics first emerged at the city-state community of ancient Greece called 'polis'. Peter Merkl expresses some philosophers' concern over the tasks of the polis constituting the early boundaries of politics:

"Plato, Aristotle, and many of their Greek contemporaries considered the affairs of the polis as worthy of being the subject of a master science. Because, they saw in the participation of the individual in the life of the polis a necessary condition of human self-realization, and politics of other peoples outside of Greece, moreover, were looked down upon as too barbarian even for consideration."⁴

After the foundation of the empires, the meaning of politics changed. A cosmopolitan attitude replaced the narrow concerns of Greeks, as people began to distinguish between political activities and those of a religious, economic, educational, or military character.⁵ Political movements and political

realm emerged as only one of the various issues that men were concerned about in a community.

However, the importance of mutual relations between politics and the other disciplines must not be neglected. Janine Bremond and Alain Geledan, both called the "affinities among economy, politics, history and sociology as 'inseparable relations'."⁶ The close relations between politics and different disciplines have helped people to overcome various problems and come up with some solutions. For example, "man has often used political freedom to change onerous economic conditions, to restrain psychological urges, to alter bad social customs, and to improve the social structure to overcome geopolitical obstacles, or to break with historical tradition."⁷

Among these disciplines, economy, called as "the study of how man manages his resources, produces and distributes wealth and supplies his wants,"⁸ has always been in close touch with politics. Marx and

Engels explain this issue as follows: "political structures were ultimately derived from social and economic forces." According to their theory of historical materialism "the laws, religion, culture and political institutions of a society are part of super structure, being shaped by a 'material base', the economic structure."⁹ These philosophers of orthodox Marxism give high priority to the economy. They see politics as nothing more than "a reflection of prevailing economic conditions, especially of economic technology and the distribution of the ownership of capital."¹⁰ Briefly, from their point of view, to understand political activities, economic issues must be known clearly by the governments.

Although the history of relations between politics and economy goes back to the very ancient times, these relations became inevitable in the Medieval Age. In the west, unifying the legal systems and the strengthening of the central authorities often laid an indispensable basis of uniformity for the

benefit of commercial expansion and the growing legal equality among the subjects of the king.¹¹

In the Ottoman Empire, the structure of the society roughly consisted of the ruling class who did not pay taxes, and the subjects who paid taxes and made production possible in the periphery. Decisions on the economic policies were under the control of the ruling class, that is the Sultan and the bureaucracy. So, "...the opposition of center and periphery became the outstanding issue of Ottoman political and economic life."¹² Having a powerful ruler and gaining high profits from the rich sources in the periphery were the main concerns of the center. "By developing commercial centers and routes, encouraging people to extend the area of the cultivated land in the country and the international trade through its dominions, the state performed basic economic functions in the empire."¹³

Over 90% of the Ottoman population were engaged in agriculture. So, "...the essential feature of Ottoman economics...is a characteristic of peasant economies which exists where most production takes place in agriculture, and where the dominant and most widespread unit of production is the peasant household."¹⁴

The Sultan had wide extension of authority in the Empire. He could put laws into effect, and could define the status of the tax-paying and the non-tax paying masses in the society. He was the sole owner of lands, and his subjects had belonged to only the usufruct of those lands. Even, "the local notables in the Ottoman society and polity... were never able and/or interested in translating their economic power into central political power."¹⁵

In the Ottoman Empire, economic policies were perceived as tools maximizing the tax yields to

support the army. "The wielders of political power, not the merchants, were the first citizens of the realm, and the tight control established by the state over the economy was a further example of the primacy of politics in the Ottoman Empire."¹⁶ Furthermore, the question of the position of the Ottoman state in relation to the economy was solved in such a way that "...power was more precious than wealth, money was as much a political as an economic medium, because it was used for military and civilian staff's functions"¹⁷

In the fifteenth century, Sultans tried to increase the relations with the west. Because, "...one was a world economy, the other was a world empire... The European world-economy was a complex of multiple polities and cultures linked together through the institution of the market, the Ottoman Empire on the other hand, lacked the integrative market but held together as a redistributive system under the supervision of a supreme state."¹⁸ As these worlds

came to interact under conditions altered largely by the development of the European market economy, from mid-sixteenth century onwards, "the political economy of the Empire... evolved gradually into a complex socio-economic formation which occupied in the network of world-market a peripheral status until its demise in the twentieth century."¹⁹

The technological improvements at the beginning of nineteenth century led to a great jump both in the Western-European economy and their military. Industry, especially industrial minerals, metalurgy and textile industry, also equally developed parallel to the increase of needs in the society.²⁰ In the same century, the Ottoman economy also showed radical changes as a result of several powerful forces: increasing cost of armaments and war; population changes; the great inflation of the sixteenth and seventeenth centuries and the continuing price rises in the eighteenth; technological stagnation in

agriculture, and the effects on the Ottoman Empire and society of increasing contacts with Europe.²¹

At the end of the nineteenth century the Ottoman state collapsed financially; at the beginning of the twentieth century it was incapacitated militarily and administratively as well. "...The Ottoman Empire collapsed because the state failed to mobilize sufficient resources and men to promote political unity and economic development in the face of internal resistance and external pressure."²²

In the transition from an Empire to a nation-state, which was set up formally in October 1923, Turkey had to integrate into the world economic system by an etatist system. This system was not a translation of the socialist doctrine; "...rather it is a product of the need of the country and was peculiar to Turkey. What etatism means is giving priority to the economic activities of the private

sector but at the same time compensating inadequencies faced by the state initiative."²³ So, the economic policies necessitated by the etatist system gave the state a crucial role. The single party years showed the importance of this role made also possible by the economic system.

Atatürk, the founder of the Turkish Republic, was a charismatic leader. But, "...he did not monopolize executive responsibility. In the provinces, his power was exercised through the normal civilian bureaucracy, largely inherited from his Ottoman predecessors... Both Atatürk and İsmet İnönü, his principal lieutenant, were ex-military commanders... Atatürk was a man of wide intellectual interests, particularly in the field of history and education, but he never pretended to have any knowledge of economics. Nor could İnönü claim any economic expertise."²⁴ Apparently, therefore, during the single party period economic policy formulations were

generally left to those bureaucrats who had some experience of the subject. In line with the prevailing economic orthodoxy, the economic views of the government were based on a conservative and protective approach. Besides, economy was of secondary importance in comparison with other concerns in the cultural, social and political fields. "The regime's overriding preoccupation was with national sovereignty and cultural reorientation: economic development was seen as part of this."²⁵ The early years of the single party era can therefore be said to have developed thanks to the success of the Kemalist Westernization project, rather than an economic development model.

In 1940s, Turkey entered the period of competitive party systems and free-elections. The Democrat Party (DP), which was founded in 1946, came to power in the aftermath of the 1950 elections. Its basic economic principle was liberalism. The economic development of early 1950s fulfilled the expectations

of both the political regime and its mostly rural supporters. But in the second half of that decade, as a result of the general stagnation of the economy, the continuous trade deficit, and the resultant inflation and the balance of payments crisis, as well as the adoption of austerity measures imposed by the IMF, Turkey entered a period of economic crisis.

In sum, the economic development path of the DP led to a serious chaos in both the Turkish economy and politics. The military took power on 27 May 1960. In 1961, Turkey returned to a civilian government. Between 1961 and 1980, many short-lived governments were established. But, generally, all of them followed import-substitution policies within the framework of a mixed economy model.

During the 1970s, the world-wide economic crisis seriously affected Turkey. The inflation rate tremendously increased parallel to the increase of

import prices. This led to a deficit in the balance of payments. So, the decline of industrial production and pressure of foreign debt were only a few of the many problems facing Turkey in the seventies. Also, the political turmoil reached serious dimensions in terms of radicalization and polarization in politics which led to violence. It is this political terrorism which finally led to the military takeover on September 12, 1980.

However, the fundamental change in the course of the Turkish economic system's orientation was introduced before the military coup, by the right-wing government of Justice Party, on January 24, 1980. "To support this effort, the International Monetary Fund, the World Bank, and the Organization for Economic Cooperation and Development (OECD), together with bilateral donors, provided substantial financial assistance in what was then one of the largest operations of its kind."²⁶ The aim of the package

was to allow the price mechanisms to regulate the supply and demand, and to reduce the size of the public sector, so of the state. "Such measures had evidently been insisted on by the IMF...The mixed economy and import replacement is being abandoned and the free-market system, which can be applied in Western Europe as a result of the accumulation of capital and know-how many years ... is being transferred to the country."²⁷ There was a movement to replace import substitution industrialization with an export-oriented model. The main reason for this radical change in the economic sphere was expressed by William Hale as follows: "...Turkish capitalism had to be rescued from its own mistakes. They were identified as, first, the almost exclusively domestic orientation of industrial development, which left Turkey with an excess of high-cost import replacement industries and stagnating exports and, secondly, mismanagement of the public sector, leading to wasted expenditure and inflationary deficit financing."²⁸

Although the new economic policies were tried to be implemented at the beginning of 1980, before the coup, civil disobedience, economic troubles and cleavages among the political parties prevented the Justice Party government from following an effective and resolute course. The political breakdown of the country was imminent.

In September 1980, the Chief of the General Staff and the five top armed forces commanders seized the power. This new regime followed the economic reform policies which were not put into effect before the coup. However, during this period, the commanders left the decisions on the economic policies to the Prime Minister's office. This new economic programme was under the responsibility of the then Deputy Prime Minister Turgut Özal.

Turkey returned to democracy in 1983. Only the newly established parties were permitted to

participate in the elections of 1983, because, the 1980 military rule accused the "politicians of the seventies to be responsible for bringing the country to the brink of economic bankruptcy and civil war."²⁹

The 1983 elections brought to power the Motherland Party (MP). "The MP under the leadership of Turgut Özal was formed by a group of founders who primarily came from the private sector."³⁰ Meanwhile the world-wide economic trends had become effective on the Turkish economy. So, from the very beginning, the cadres and the leader of the party were assurances enough for the total dedication of the MP to the new economic philosophy of the 1980s: an outward oriented economic development model based on free-market economy.

NOTES

¹Peter H. Merkl, Political Continuity and Change (New York: Harper and Row Publishers, 1967), p.2.

²Ibid., p.2.

³Ibid., p.2.

⁴Ibid., p.7.

⁵Ibid., p.8.

⁶Janine Brémont and Alain Géledan, Dictionnaire des Théories et Mécanismes Économiques, (Paris: Hatier, 1984), p.5.

⁷Merkl, p.9.

⁸Ibid., p.18.

⁹Dennis Kavanagh, Political Science and Political Behavior, (London: George Allen and Unwin Inc., 1983), p.113.

¹⁰Merk1, p.9.

¹¹Ibid., p.65.

¹²Şerif Mardin, Center-Periphery Relations: A Key to Turkish Politics?, Daedalus, v. 102, 1972, p.70.

¹³Şerif Mardin, Power, Civil Society and Culture in the Ottoman Empire, Comparative Studies in Society and History, 11:3, 1969, p.261.

¹⁴İlkay Sunar, State and Economy in the Ottoman Empire, The Ottoman Empire and the World Economy, Huri İslamoğlu-Inan ed., (Cambridge University Press, 1987), p.65.

¹⁵Metin Heper, Center and Periphery in the Ottoman Empire with Special Reference to the Nineteenth Century, International Political Science Review, vol.1, no:1, 1980, p.96.

¹⁶Halil İnalcık, The Ottoman Economic Mind and Aspects of the Ottoman Economy, Studies in the Economic History of the Middle East from the Rise of Islam to the Present day, M.A. Cook ed., (London: Oxford University Press, 1970), p.216.

¹⁷Şerif Mardin, Turkey: The Transformation of an Economic Code, Political Economy of Income Distribution in Turkey, Ergun Ozbudun and Aydin Ulusan eds., (New York: Holmes and Meires, 1980), p.31.

¹⁸Sunar, p.64.

¹⁹See 18.

²⁰Henri Denis, Histoire de la Pensée Économique, (Paris: Presses Universitaires de France, 1988), p.287.

²¹Charles Issawi, The Economic History of Turkey 1800-1914, (University of Chicago Press, 1980), p.1.

²²Sunar, p.84.

²³Selahattin Özmen, Türkiye'de ve Dünya'da KİT'lerin Özelleştirilmesi, (İstanbul: Meter Matbaası, 1987), p.48.

²⁴William Hale, The Political and Economic Deveopment of Modern Turkey, (New York: St. Martin's Press, 1981), p.34.

²⁵Ibid., p.35.

²⁶George Kapits, "Structural Reform, Stabilization and Growth in Turkey," Occasional paper, n.52, International Monetary Fund, (Washington D.C., 1987), p.1.

²⁷Hale, p.258.

²⁸Ibid., p.256.

²⁹Üstün Ergüder, Post-1980 Parties and Politics in Turkey, Perspectives on Democracy in Turkey, Ergun Özbudun ed.(Ankara: Turkish Political Science Association, 1988), p.2.

³⁰Ibid., p.20.

Chapter Two

ÖZAL AND THE SIGNIFICANCE OF THE ECONOMY

Özal had a good press at the beginning of the 1980s. He was called the "captain of the economy" and the "architect of the stabilization package of 24 January 1980". His economic philosophy has made a major break in Turkish foreign and domestic policies.

'The Economy is Above Everything'

Özal was a bureaucrat until the 1977 elections where he entered into politics as a candidate to get a seat in the Turkish Grand National Assembly for National Salvation Party (NSP) in Konya province. In the years following his defeat in this elections, he wanted to be at the helm of the economy because for him the soundness of the economy was the prime mover of politics. So, he served as a principal economic

advisor of Demirel. After the 1980 military coup the new regime provided him with a wide authority on the economic issues under the position of Deputy Prime Minister. At this time, he unified the two roles of being an 'economist' and a 'politician'. But he very much understressed the role of the 'politician' and instead put the role of the 'economist' at the forefront. In one of his public statements, he therefore says: "you know how my dialogue is with you. My common point, my common language was never political. I always talked with you on the economy."¹

Özal sees a close tie between his sympathy for the economy as an important variable and his decision to enter into politics. In many of his speeches, he explains this point as follows: "although I was the Under Secretary of the Prime Minister's office at the time of the military intervention (1980), I was asked to stay at the helm of the economy as Deputy Prime Minister."² He mentions his

motivations to get involved in the economic issues in terms of his wish to be more effective in solving political and economic problems. "...I saw that, yes you can make many attacks, you get many results, but after a point your power does not suffice to do more. I believed that I had to be fully authorized in this field (the economy)."³ These thoughts led him to actively being involved in politics. He thought that politics could provide him with more power in the economy. "...because, in Turkish society, the politicians are highly powerful and can impose on people any subject vigorously."⁴

From this perspective, he claims that "the economy is the beginning of everything, and an economically weak country cannot solve her problems."⁵ In the same speech, he refers to a book on history that he has read. In that book, the story of how empires rose and collapsed has been told. He summarizes this book in one sentence, "...briefly, I saw that all these things are closely related with

economic power,"⁶ meaning that without a strong economy, countries are doomed to collapse.

For the Turkish case, he predicts the following: "...if our country's social and economic affairs continue improving, political tensions do not increase, and political and economic stability will give impetus for development and improvement in other fields."⁷ In the comparison he makes with the West, "...we know that countries which have successful economic growth, can solve their social matters more speedily and provide wealth to their citizens more easily."⁸ Although he is not sure whether Turkey can reach the level of these countries, he positively thinks that if the power of the state and the nation can be mobilized to reach this objective, and if the labour force and natural resources which could not be used efficiently up to now are motivated, the target does not have to be unrealistic anymore. We can call this as an economic War of Independence.⁹

However, Özal, in some of his other speeches has emphasized a conflicting point of view on the role of the economy: he strongly emphasizes that the economy developed on a stable political ground can solve the social problems more easily and more speedily.¹⁰ Here, he sees politics as the prerequisite of solving any economic and social matters. Similarly, he states in one another speech, "...it is not exactly known whether the political crisis causes economic crisis or the economic crises cause to political strains."¹¹ He considers that there can only be three kinds of problems in a country: one is political, the second is economic, the last is social.¹² From his point of view "...the economic affairs, the social affairs and politics go hand in hand , and to seperate them is not possible."¹³ This last sentence is obviously in contradiction with his former statements which give the highest priority to economy in relation to political and social matters. Here he defends that the three levels are interdependent, and that the soundness of the economy alone can not save a country.

Turgut Özal is a strong advocate of the liberalization of Turkish economy since the campaign for the 1983 elections. He rejects the state interventionist policies in the economy. He is on the side of the free-market economy rules that attaches a diminishing role to the public sector. So, in most of his speeches, he suggests that there is an invisible hand in the economy: "...the economy goes by its own laws. Otherwise, people suffer from the heavy economic burdens, and this can lead to a political unrest, and politicians can not regulate economy by other laws."¹⁴ According to him, "...the economy is like a flowing water. It has a starting and an ending point."¹⁵ Because of this, "...if any wrong thing happens at the beginning, this causes serious difficulties"¹⁶ at the end. So, he strictly underlines that "economy does not have many rules, but just one: "profitability".¹⁷

As for the problems that may arise in a free-market economy, he suggests ruthless and harsh measures. One such problem area is inflation. To

decrease it, most sectors of the population will have to be hard hit: wages must be limited, interest rates be raised, and a tight money credit policy be introduced.¹⁸ To decrease the budget deficit and to increase the outward orientation of the economy, all sectors must be opened to outside competition, big reforms in taxing and the banking system must be made, bureaucracy must be restructured and a real exchange rate must be established.¹⁹

During a speech at the Turkish Radio, Özal draws the attention to the necessity of such measures: "In an economy, generally speaking, the problems accumulate in time. So, we have to take harsh responses. Because, economy does not forgive faults."²⁰ He clarifies this point in another speech: "...to solve the problems, there is an obligation for being strong. That is, there is the need for a deterrence power. It is under the basis of this power that the strong economy, the democracy and a

good economic performance lies. As a result, political power arises from all of these."²¹

On one hand, he defends the necessities of harsh measures in the field of economy to correct the imbalances caused by the old economic system which is opposite to the one he wants to establish. On the other hand however, he asserts that "the competitive free-market economy within rational hands is the biggest guarantee for social justice"²², as well as the economic development and the political stability of a country, meaning that there is absolutely no need to interfere in the field of social justice to correct any past or present defects. Free-market economy means reducing direct participation of state in the economy. The fact that, these harsh measures which have been put into effect by Özal should not be take place in a market-oriented economy. Otherwise, the continuation of the state domination over the social justice brings out, and free-market economy does not work properly.

Economy and Democracy

As placed in many of his speeches, for Özal the relation between democracy and economy is bound tightly to each other. According to his philosophy, "the MP government, during the past six years (1983-89), has made determined efforts to consolidate the present democratic institutions and to help realize the aspirations of Turkish nation for a more prosperous life."²³

Just what Özal understands by the concept of democracy can be extracted from several of his speeches. In one of them, he implies that "...a healthy economic structure and balance of payments are highly important elements which make democracy strong. A democratic system where human rights and freedoms exist will develop more easily in a country which is developing economically and which has a sound state of balance of payments."²⁴ Since 1980, Turkey has experienced two general elections, two general local

elections and a referenda. Besides these elections as strong signs of democracy, he claims that democracy is not a static concept. "Human rights were not the human rights of today during industrialization of the West. But, developing countries today, are duty bound to respect all of these norms and take into consideration the modern concerns. That is why it is more costly and difficult to achieve development and industrialization under a democratic system, but perhaps all the more gratifying."²⁵ For him, only the free-market economy can provide this development. So, "...democracy has come out in economically liberalized societies,"²⁶ and he accepts that there is no exception of this rule. He therefore sees the economy as an important part of factors which create a suitable ground for democracy.

First of all, in his perspective, democracy is an everchanging concept in time. The human rights are a dynamic concept which evolves according to the development of the society. By democracy he means, a

set of norms which develop as societies develop economically and socially through the course of the history.

Secondly, what he understands by democracy is more like what prevails in the USA system. "A few days ago, I followed the speech of the US President Bush in the ceremony of oath. I remember such sentences: He told that the most important matters for the growth and the development of America that is, the strengthening of the US, are free ideas, free elections and free economy. These are the same issues that I believe in too. All capable people will come out easily in a society under free economic order, free elections and free ideas. If there is intervention, freedom does not exist there."²⁷

In a third sense, he seems to emphasize one special category of freedoms: freedom of thought and conscience : "Of course, when we say economic freedom of the people, the other is freedom of

thought and conscience. Both are complementary. In all advanced Western countries, these two go together."²⁸ For him, either economic freedom or freedom of thought by itself does not have a meaning. "These are infrastructure for a democratic system."²⁹ What Özal means here is, the pluralist system and the present life style in Turkey can not be maintained without the existence of a liberal economy. As a result of this belief, Özal subjected Turkey to radical reforms that fundamentally transferred the country into a more democratic and secular state.

In Özal's view, it is not possible for a political regime to be authoritarian or despotic while the economic regime is a free-market dominated one. In one of his speeches at the Party Group, he claims that this kind of situation can temporarily happen, but not permanently. Because, he thinks that, at the end, one destroys the other, that is, one persuades the other in time.³⁰ In the same speech, he stresses a free economic system brings out the

necessity of a democratic system, and emphasizes to merge these two systems for a strong Turkey in the future.

However, Özal's linkage of economy with democracy suffers from a lack of an analytical framework. In his speeches, he does not mention the possible conditions for democracy other than that of the economic ones. In one speech, he stated that "...in these days of ours, social matters and economic affluences should go hand in hand with democracy."³¹ On the other hand, he claims that market-oriented economy is the prerequisite of a democratic system.³² That is, democracy emerges in economically well-off societies. But, the existence of a prosperous economy is usually the necessary but not the sufficient condition for democracy. The important point which must be emphasized here is that the other variables like having a tradition of democratic political culture and institutions are not really touched upon by Özal.

Finally, Özal also marks a connection between anarchy and economy during many of his speeches. "I cannot pass without reference to the relation between anarchy and the economic matters. Anarchy does not come by itself. Some economic troubles prepare the background to it."³³ For him, "the expansion of anarchy and terror is reversely proportional to the economic power of a state."³⁴ In a country which suffers economic instability, anarchy expands by leaps and bounds immediately. For him, "...excessive inflation, poverty, scarcity, unemployment are invitation cards for communism, anarchy and terror."³⁵ From his point of view, it can be said that the only condition for talking about a democratic regime which protects human rights and eliminates social imbalances is the existence of a strong free-market economy. In this perspective, "the prolonged social development has close relations with economic development. So, the protection of the balance between the social and economic development is important."³⁶

Sectoral Advancement and the Economy

Özal manages to connect every subject to the economy. Making such obvious connections between the development of sectors of industry and the overall economy, he hardly ever mentions the social effects. In the construction of a war industry for example, and the economic prerequisites for it he has this much to say: "NATO is a defence alliance. A strong defence can be realized by a strong economic structure."³⁷ He brings more explanations on this issue: "the important industries will be established in this arena at the near future. We will produce our own arms, and at the same time will find jobs for our people. So, economically, the country will not be dependent on outside."³⁸ The main concern of Özal related to the affinity between war industry and the economy is being self-sufficient: "We have to make our own cannons, our own guns, our own planes, our own submarines. Here, at this time, everyone says that Turkey is a powerful country. The real power is the economic

power. The real power is, having a rich nation. So, my real will which I have been trying to make real for the last six years is inserting Turkey among the economically first class countries."³⁹

Likewise, he also steers the argument for building highways to the economy but not to the social change of the country. "We consider highways very important."⁴⁰ He sees them as "the blood veins of a country in the economic development process."⁴¹ And, he links the improvements of economic conditions to the highways as saying "When highways exist, the economic activities can be accomplished more speedily and more reliably. If I finance the highways, if I put a weight on local services, I will take this money back somewhere else. A German citizen does not give this money to me, nor an Englishman. I will take this from my people. I have no other way. But this extra burden will help the improvement of the economy."⁴²

As seen in the above analysis, he puts everything within the framework of the economy, and despite the inner contradictions in his argument, he manages to tie the issues of 'democracy' and 'the sectoral advancements in various industries' and even the argument for 'catching up with the West' to the prerequisite of having a sound free-market economy.



NOTES

¹TV series "From Within the Government", June 30, 1987.

²His speech at the meeting of the "Istanbul University of the Youngest President's Organization," September 18, 1989.

³In the opening ceremony of the 9th Economists' week organized by graduates of the department of Economics of Istanbul University, April 26, 1984.

⁴Interview with Rapor (Istanbul monthly), on IMF, November 13, 1984.

⁵At Ankara Gazi University, June 26, 1989.

⁶See 5.

⁷The Third Press Conference, March 31, 1984.

⁸New Year Message in Milliyet (Istanbul, daily), January 2, 1984

⁹See 8.

- ¹⁰His speech at the Turkish Grand National Assembly while the Motherland Party government's program was read, February 19, 1983.
- ¹¹His speech at the First Anniversary of the Motherland Party, May 20, 1984.
- ¹²Interview by Yavuz Donat from Tercuman(Istanbul daily), December 13, 1985.
- ¹³His speech at the "Expanded Mediterranean Regional" Meeting of Turkish Union of Chambers (TOBB), January 6, 1987.
- ¹⁴At the Association of Turkish Administrators, January 17,1987.
- ¹⁵His answers to the questions of the members of the Turkish Union of Chambers, November 7, 1988.
- ¹⁶His speech at the Party Group in the Turkish Grand National Assembly, April 18, 1989.
- ¹⁷His speech on the project of Southeast Anatolia (GAP) on the radio, September 30, 1989.

¹⁸Interview in the Near East Briefing (NEB) Review, December 29, 1983.

¹⁹For detailed information on all these points see his speech in the opening ceremony of the 9th Economists' week organized by graduates of the department of Economics of Istanbul University, April 26, 1984, and also see 18.

²⁰See 7.

²¹At the Party Group in the Turkish Grand National Assembly, April 7, 1987.

²²His speech at Bor, May 4, 1986.

²³His speech at the dinner in honor of European Council's Secretary General, September 27, 1989.

²⁴See 7.

²⁵See 13.

²⁶At the 37th Committee Meeting of "International Press Institution" in Istanbul, May 9, 1988.

²⁷His speech at the Association of the Photo-Correspondents, January 17, 1989.

²⁸His speech at the second meeting of the Motherland Party's Council, March 10, 1989.

²⁹See 28.

³⁰His speech at the Party Group, February 28, 1989.

³¹His speech at the Parliament of the European Council, September 27, 1989.

³²See 30.

³³At the Union of Chambers in Izmir, February 21, 1988.

³⁴See 14.

³⁵See 14.

³⁶See 13.

³⁷Meeting organized for the 35th anniversary of NATO,
April 4, 1986.

³⁸See 13.

³⁹His speech in Buyukcekmece, June 9, 1989.

⁴⁰Meeting of Highway Regional Directors, March 31, 1986.

⁴¹His speech at the dinner for the Motherland
Party's chairmen, May 2, 1986.

⁴²See 13.

Chapter Three

ECONOMY AND DOMESTIC POLITICS

Turkish people are closely concerned about politics. After 1980, they became gradually more interested in economic issues in the political arena parallel to the increasing interests of politicians on the same issues. After a politically and economically difficult period, 1970s, a new era commenced in Turkey with the elections of November 1983. Özal marked this new era in many of his speeches. A typical one at a TV speech is: "...While the time passes we are on the path of becoming a society thinking on economy, talking on economy, discussing about the economy."¹ During his speech at Trabzon, he indicated the new transformation of Turkish society in 1980s as: "80% of the questions asked to me relate to the economy. There are very important improvements in Turkey."²

Özal compounds the changes both in the Turkish economy and the politics of 1980s'. In one of his speeches he states an important view: "the economic reform started in January 24, the political reform started in September 12."³ Here he accepts the fact that the 'structural adjustment' programme which had been put into effect at the beginning of 1980, became successful under the auspices of the military regime.

The Turkish press, as well as the other mass media played a major role in encouraging people to be more interested in the economic issues. Furthermore, the increasing importance of economic issues in public life and the notion of this importance catching up in ordinary people's lives are obviously reflected in the press. In most of his speeches Özal recognizes this point: "...the economic matters have started to be raised in Turkey. The newspapers which formerly had given importance to sports news, today pay attention to the economic issues."⁴ "Each newspaper has economy columns. The economic affairs have

become extremely popular in Turkey for the last three-four years. Because, the notion of the economy started to appear in every place. Of course, this is a big education for our country. People not only keep their own account, but are also interested in other's accounts. This is a good phenomenon."⁵

The popularity of the economic issues brought new subjects into the agenda of Turkish politics. Özal contends that having a powerful economy and the duration of governments are closely related issues. "The necessity of being economically powerful must not be forgotten. For this reason, I believe that our service to people should last not just one or two years."⁶ On this point, it is obviously observed that the success of their economic policies will determine the fate of the Motherland Party (MP) in the political arena. The MP is the first political party that has been formed on the basis of the priority of the economy in Turkey. That is why Özal insists on the slogan of "the more developed the economy, the more votes for the Motherland Party."⁷

He also demonstrates that the political instability and social unrest relate with the economic structure of the country. He warned the public on this subject: "...if the economy is weak in our country, it is possible for political and social conflicts to break out."⁸ He claims that friendship and commerce should take the place of conflict.

Turkish Democracy and the Economy

Özal sees the economy as a basic issue which relates to most of the things in Turkey. One of them is the concept of democracy in Turkey, as specified in chapter two. Above all, he thinks Turkey needs democracy for pragmatic reasons: to increase her prestige abroad and in the final analysis, to get accepted into the European Community (EC). "We want to establish a strong democratic regime in Turkey in the next five years (1985-90). Why do we want to accomplish this? Because democracy is the vote of people. If you own your vote, you own the

democracy and vice versa."⁹ For Özal, "...being economically more powerful is the only way for Turkey in order to establish democracy, and to get accepted by the EC."¹⁰ He sees an economic crisis as a serious obstacle for democracy, and for him, at this point, it is very difficult for a country to get rid of such crisis in a short span of time.¹¹ So, Özal sees the January 24, 1980 stabilization package as a unique solution for the future of Turkey. This point becomes significant in all of his speeches. According to him, the Turkish economy is being rescued from protective and preventive economic policies, and to reach an affluent level, to put the economy on a right path the Motherland Party is decisive to follow this way. Because, there is no other way to develop freedom, to reach a level of welfare within democracy.¹² By this reason, he tries to imitate the path of the other democratic countries. "We saw that the democratic countries in the world are following careful not speedy economic policies."¹³

Özal, as Prime Minister, took many fundamental steps to impose his idea of democracy as inseparable from the economy. One facilitating factor was Motherland Party winning the 1983 elections with a large popular vote of 45.1 percent, which no doubt gave him the chance for fully implementing his economic policies. As explained in the second chapter, transition to democracy was the sign of the creation of a suitable ground to fully implement free-market economy. This was the grand step taken for the 'structural adjustment', under a mandate approved by the electorate.

To inform Turkish people about the new changes in economy by making comparisons between the new and the pre-1980 economic policies and explaining to the public why this structural adjustment was necessary for Turkey by making references to the past was extremely important for Özal. The rhetoric is more often used in the face of a serious

competition for its power base by its rival on the right, True Path Party. "Since the foundation in 1923, the new Turkish Republic represents aspirations of Turkish people for a progressive, dynamic and modern society."¹⁴ But in 1970s, "...our country went through a very difficult period. The two oil shocks of 1973 and 1979 caught Turkey unprepared for the new challenges in the international economic system, and we found ourselves in the worst economic crisis that we have never met before."¹⁵ To Özal, the detrimental outcomes of world-wide economic depression has become highly effective on the Turkish economy for a long time and "...the two shocks completely upset the traditional balance of the country's economy."¹⁶

He summarizes their economic path in a single sentence: "we based our economic model on free enterprise and private initiative."¹⁷ The main reason for this switch was "...the free-market economy that can resist longer time to shocks."¹⁸ For Özal, in

free-market economies, the domestic money unit of a country is convertible to the money units of other countries. So, a country which follows economic liberalism can resist the shocks more easily, and can adjust her economy more quickly than the countries following closed economic policies. He defends that "...free competition markets provide cheap goods. But, in the societies where monopolist policies have dominated, there will not be high quality cheap products."¹⁹ At the end, all of these thoughts are tied to the concept of democracy by Özal. "After providing the suitable conditions for such an economy, it is possible that democracy can improve itself."²⁰

The Turkish economy had been based on a statist system. Özal accused the statist economic policies with which "...the country's economy has come to a point where it had resembled more Eastern European economies instead of the Western ones. "We have learned that this kind of economic system for a

developing country shows tendencies of transition to socialism in political arena. The then ideological cleavages brought Turkey into a civil war."²¹

It is a well known historical fact that, in the 1960s and 1970s, political clashes had reached serious dimensions in every ten years, and military interventions took place in Turkish politics with ten year intervals. Although many economic programs were tried to be implemented, they were more or less similar to each other until 1980. A new policy orientation had become imperative. Özal explains the initial years of the new economic policies which were identified by himself as follows: "...in early 1980, a new economic program was adopted with the purpose of putting the Turkish economy on a completely new track."²² The main goal was "...to restructure the economy and open it to the outside world. In this policy, market forces gained highest priority."²³

The Economic Policies of Özal

Although the prime ministerial power has been extended by the 1982 Constitution, Turgut Özal much more strengthened this power after the victory of the Motherland Party in 1983 elections.

In the following years of this turning point in Özal's political career, he has tried to create a strong leader image in the eyes of Turkish people via all channels such as TV, radio, press. Besides these, the other important channel was public opinion surveys. By using these channels, he explains the problematic issues of democracy and economics, and he uses the exact words people want to hear. He touched one of these issues at a TV programme: "When we refer to the economy, all of us have a common complaint: inflation! that is, the expensive life style."²⁴ He explains to the masses the reason for these high prices and low purchasing power in terms of modernization of the system in a short span of

time having a cost. This cost was inflation.²⁵ The approach of Özal's government to the problem of increasing inflation rate was expressed by him: "...new monetary and fiscal policies were adopted to curb inflation. A number of export promotion measures were taken. As a result of this new economic policy, the Turkish economy has undergone a major transformation over the last five years (1980-85)."²⁶ By the help of these new measures, "...inflation has been greatly reduced, and we are trying to reduce it further."²⁷

Apart from the inflation, the next important issue that the Turkish people were engaged in the mid-1970s and at the beginning of 1980 was the political polarization which led to anarchy. Many people suffered from this serious problem. On average, 20 person were killed every day. "After the mid-1970s, we witnessed that the economic crisis caused anarchy with the decisive polarization in politics."²⁸ But, Özal believes that now that the

economy is on the right track, there is no more polarization and political violence in the country.

In explaining the problematic issues and trying to reduce the discontent of the masses, Özal presented to the people their new economic policies as 'revolutionary' in most part of his speeches. The January 24 (1980) liberalization policies in the economic sphere "...has been strengthened and enlarged in 1983 after we came to power."²⁹ He called these changes as a bloodless revolution. "There has been made many reforms in the field of the economy. There has also been made many radical changes in political and social arena. These can be called as a kind of bloodless revolution. Then what is a revolution? It is a change of era, it is a change of mentality. When these happen in a short time period, they are called a revolution."³⁰

What he termed as 'revolutionary' fundamental changes first of all involved the bureaucracy:

Bureaucratic formalities and red-tape were reduced, and wherever possible, eliminated. The other was related with the private sector which is the backbone of the free-market economy. New areas for economic activities were opened to the private sector, and a program of gradual mobilization of certain State Economic Enterprises (SEE) were launched. The tax and the monetary system came next: The tax structure was modernized through the introduction of the value-added (VAT). There was a significant increase in the amount of foreign capital invested in Turkey, because, a new legislation was introduced to further encourage foreign investments, and major reforms have been undertaken in the banking sector. A new leasing law was passed, and a new model of foreign direct investment commonly called "build, own and operate" was developed. Foreign exchange regulations were simplified and liberalized.

Although one of the aims of Özal government was to make Turkey both a contemporary of and competitive

with the West,³¹ in almost all his speeches, in fact, he was uncomfortable because of being late in the realization of these changes. "Turkey was too late to implement the liberal market policies. We adjusted everything according to the Western reforms during the last two centuries. But, we could not understand that the superiority of the West comes from the liberal economy."³² Here, what Özal implies is the unresponsiveness of the Turkish politicians to the economic issues. On the same issue, he says: "...It is inevitable that we reach an impasse if we give importance to the social matters more than the economic ones because of the anxiety of "winning the elections". We saw many examples of this in the last ten years. Turkey, then had reached a point where these problems could not be solved economically. Laws for social issues gained importance. But, at the end of this wrong attempt, the burden of the unfair results of the social matters was loaded on the shoulders of the middle class, because the economic problems were left

unsolved."³³ So, for Özal, the lateness in launching economic liberalism was due to placing political concerns at the forefront of the agenda of the past governments.

Özal also rejects the past policies on the ground that they were wrong, and the implementation of wrong policies cause some difficulties on the functioning of the economy in its natural rules. For example, he denotes that "...in the past, big troubles in the economic field especially the balance of payments problems existed."³⁴ Because of these problems "...the black market was encouraged by the state's misimplemented policies."³⁵

He accuses also the regimes which were in power in the pre-1980 coup period as the major agents responsible for "...the wrong economic policies that led to poverty and scarcity,"³⁶ and he accepts them as "...the reason for the inflation by using

these policies and utopian social politics."³⁷ Although he frequently states that his government "...is aware of the importance of economic policies and it sees necessary to follow these policies in consistency with its targets and medias,"³⁸ his government is still challenged with the same problems. But, in most of his speeches, Özal tries to show the distinguished points of his governments apart from the pre-1980 coup ones.

The Identity of the Motherland Party

We have already seen that the Motherland Party is the first party which was founded on the basis of economy in the Turkish political history. On the identity of MP, Özal describes it as follows: "We have a different identity. We are conservative, we are on the side of the free market, we are on the side of the liberal economy, we are on the side of the social justice. Of course, some people may ask whether this can be possible. Yes, there exist

economic and political life."⁴² He claims that this atmosphere affects society socially, economically and politically. Economically speaking, he says that "...each election affects the economy negatively. Look at the USA, look at England. During election times, there is an uncertainty. This uncertainty happened in Turkey very intensely."⁴³ Indeed, since the transition to the multi-party system, Turkey faced many short-lived governments. They could not be very succesful to put their policies into effect in such short periods. During the Turkish political history, getting political power had the highest priority. That is why Özal always requests Turkish people to enable the MP to stay longer at the governmental position before each election.

Despite the well-known criticism that the free-market economy model which Özal espouses ignores the human element and in fact depends for its success on the availability of cheap unemployed human labour, he claims otherwise. He stresses that their economic

program encourages human element."Our model is a system that people work with full effort and full capability. The Turkish people are quite suitable for this system. In socialist systems, human power is used as a part of a machine. This is why we always cry for the West, West."⁴⁴ During his speech at a TV discussion, he called the party as individualist in economic understanding. "We encourage the attempts of the individuals. And we are advocating the free competitive system. We have analysed the Turkish society. There are millions of farmers, tradmen. All they have is individual enterprises. I believe that all of them will support us."⁴⁵

The Role of the State

After 1980, a radical change in the philosophy of the role of State in economic sphere was tried to be realized. The January 24, 1980 economic policies aimed at reducing public sector activities in the economy and at diminishing the degree of the state

intervention in the domestic and foreign markets. What Özal understands by the role of the state is its retreat from the economy in the course of the liberalization and privatization process. Until the launching of these new radical changes in the economy, the strong state image was popular in Turkey. But, beginning in January 24, 1980, this image was tried to be abandoned by politicians. Although the collapse of the image of a strong state is highly difficult in Turkish society for historical lessons, after 1983, Özal tried to change this image. He promoted the idea of minimizing the state intervention "...within the framework of natural laws of the economy."⁴⁶ He clarifies this point by referring to the logic of the free-market: "The rules are clear in the free-market economy. Everyone plays according to these rules. The role of the state is to check whether these rules work well. State is an organizer in economy. It is a referee, and it is interventionist at the macro level to block the mistakes. There is nothing more

wrong than the intervention of the state in the country's economy at micro level. At that point, the problem called bureaucratization begins."⁴⁷

So, he accepts the state as "...an organizer by regulating the economic relations of individuals and institutions, solving the conflicts, providing economic stability and increasing the productivity by eliminating the obstacles."⁴⁸ For him, the state must not intervene into the details. Fundamentally, it can intervene into the infrastructural investments: "State should limit itself to providing the infrastructure such as health, education."⁴⁹ According to Özal's philosophy, the state must not enter into the industry and commerce in principle, except in undeveloped regions. "The state is not a rival to the citizens, but rather it serves them and facilitates the development for them."⁵⁰ So, the government intervention in the economy must remain at a minimum for the sake of the policies of free-market.

Feedbacks to the government's policies, that is the votes, in the political arena determines the future of politicians. So, Özal explains their success in the field of the economy to the masses in greater part of his speeches to get their support. "Our economic policy is found very successful. Even the expression of 'Turkish Miracle' started to be used by the foreigners who follow Turkey from abroad because of the success in the matters we dealt with. Because, no other country in an economic crisis like the one Turkey faced could show the same record of success as Turkey did."⁵¹

Since the free-market economy pays more attention to the private sector, businessmen in Turkey are highly important for Özal. He explains his sympathy for them: "I, generally, took away the businessmen in my visits to foreign countries. This is viewed as quite strange by some, since in the past, Ottomans despised the tradmen and the merchants.

However, tradmen and merchants are the people who reflect the economic power of a country."⁵²

To sum up all Özal's philosophy on the relation between domestic politics and economy, he initiated basic alterations in Turkey. He changed the definition of democracy and emphasized the importance of a democratic regime for Turkish society; informed the masses on his policies in comparing them with the previous policies; introduced the Motherland Party's different identity to people; and the role of the state in the economy. The discussion of whether these policies are succesful or not is beyond this study. But, the truth is that he stamped his name on the Turkish political history.

NOTES

¹TV series "From Within the Government", July 31, 1984.

²An evening meeting at Trabzon, September 14, 1986.

³See 2.

⁴Interview with Rapor (Istanbul monthly) on IMF, November 13, 1984.

⁵At the meeting of the "Expanded Mediterranean Region" organized by the Turkish Union of Chambers, January 6, 1987.

⁶During the Party Meeting at Abant, October 11, 1985.

⁷Interview by Yavuz Gokmen from Hurriyet (Istanbul daily), December 13, 1985.

⁸His speech at the Party Group in the Turkish Grand National Assembly, April 7, 1987.

⁹His speech at Kahraman Maras, October 20, 1984.

¹⁰His speech during the budget conversations of 1985 at the Turkish Grand National Assembly, December 9, 1984.

¹¹His speech at the Party Group, February 14, 1989.

¹²See 10.

¹³TV series "From Within the Government", June 25, 1984.

¹⁴Press Conference at Yesilkoy Airport when he returned back from Davos, January 29, 1984.

¹⁵In the Opening Ceremony of the Hannover Fair, April 16, 1985.

¹⁶See 15.

¹⁷At the dinner in honor of himself in Japan, May 22, 1985.

¹⁸Interview of a correspondent from Die Zeit, April 26, 1985.

¹⁹See 15.

²⁰See 17.

²¹Dinner for people from Bangladesh, November 2, 1986.

²²See 21.

²³See 21.

²⁴Interview by Mehmet Barlas , the General Director of Publication at Milliyet (Istanbul daily), April 10, 1986.

²⁵See 24.

²⁶At the meeting with Parliaments, Founder Members of the Motherland Party and Chairmen of Administrative Provinces and Counties, January 14, 1985.

²⁷See 18.

²⁸TV series "From Within the Government", June 30, 1987.

²⁹Meeting of delegates of the International Trade Union of Chambers, September 21, 1988.

³⁰Debates on the budget 1988 in the Turkish Grand National Assembly, December 9, 1988.

³¹See 17.

³²See 21.

³³See 21.

³⁴The Seventh Press Conference, December 15, 1984.

³⁵See 17.

³⁶His speech during the lunch at the Mansion House in honor of himself by the London Mayor, February 18, 1986.

³⁷His article in the Economic Dialogue Review, October 2, 1985.

³⁸TV series "From Within the Government", September 27, 1987.

³⁹His speech at the International Business Conference in Istanbul, January 22, 1988.

⁴⁰The Opening speech at the International Financial Institution's 44th Congress in Istanbul, August 22, 1988.

⁴¹His speech at the first foundation anniversary of Motherland Party, May 20, 1984.

⁴²See 41.

⁴³His New Year message sent to the Milliyet (Istanbul daily), January 2, 1984.

⁴⁴Interviews at the First Press Conference, January 7, 1984.

⁴⁵See 43.

⁴⁶See 43.

⁴⁷His Third Press Conference, March 31, 1984.

⁴⁸His speech at Giresun, February 4, 1984.

⁴⁹His speech in the aftermath of the "Dunya Ekonomik Formu Turkiye Yuvarlak Masa Toplantisi" at Istanbul, March 23, 1985.

⁵⁰His speech at the "Industrial Chamber of Istanbul, April 12, 1984.

⁵¹Interview by Yavuz Donat from Tercuman (Istanbul daily), May 26, 1985.

⁵²See 42.

Chapter Four

ECONOMY AND INTERNATIONAL POLITICS

International economic realm became one of the main arenas for the political structure of any country during the 20th century. After Özal came to power in 1983, Turkish foreign policy became the utmost concern of politicians. According to Özal's view, "...the political arena of the world is a huge place in which countries play a role proportional to their economic forces."¹

Economy and the Turkish Foreign Policy

Foreign policy is highly important for a country's economy, as well as for its state of politics. Özal tried to change the Turkish international politics in order to open the Turkish economy outside and to integrate it with the world market. These changes were part of the 'structural

adjustment' process that Turkey entered into after the declaration of January 24, 1980 economic policies. He explains these apparent changes as follows: "...Turkey has undergone significant transformation since the early 1980s both economically and socially."²

In fact, Özal contends that there are extremely close ties between foreign policy and the economy. "...while our economy is being strong, we believe that, our international political affairs will be solved more quickly. Turkey with a strong economy, large trade volume and healthy economic infrastructure will gain importance in its foreign policy."³ This is why he attempts to liberalize foreign trade in order to "...open the economy to the international competition."⁴

Turkish foreign policy faces different issues as a result of these basic alterations in the face of the economy. Özal points at these critical issues in one of his speeches: "Turkey's integration with the

outside world, the changed economic policies from the closed ones to the open ones increased the effects of the external factors. That is, if today the protectionist tendency increases, our foreign relations will change, or if the world trade volume enters in recesssion, we can be subject to many problems out of our control. The increase or decrease of the oil prices seriously affects the economy. Of course, the increase of tensions in the world had some different effects on the economic system, and closed economies are less affected than the others. But, a dynamic, growing, developing economy has to open up to the world. There is no alternative to this."⁵

In most of his speeches, Özal advocates his new approach in Turkish foreign policy. According to him, "Turkey is on the right path in its economic understanding."⁶ He claims that the policies that they implemented are intended to integrate with the world economy to produce mutual benefits for all those involved."⁷ In his speech at the Turkish Television,

he expressed his thoughts on the interdependence between the economic decisions and the political preferences in international relations. He believed that "...a country with poor economy cannot have political weight abroad, and the economic strengthening of the country produces the political effects in world politics."⁸ At the same speech, he gave 80% place to the economy among international issues.

However, when a correspondent from Financial Times asked him a question on whether he thought that there is a radical change in the Turkish foreign policy after the 1983 elections, his answer was negative. He claimed that they regulated the economic situation of Turkey in the world, and they will be more active in this arena than before.⁹ He claims that they are conscious that economy and foreign policy must go hand in hand.¹⁰ Everybody looks at what they can sell and buy at best. Ambassadors come and say 'buy this product, not buy that one, ours is better.'

The importance of foreign policy lies here . For example, the credit for the Ataturk Dam has been taken from Switzerland. These are the results of the increasing international prestige of Turkey."¹¹

The major changes in the international economic policies of the Motherland Party government were publicly stated by Özal both for the Turkish masses, and for the foreigners during his visits abroad. One is as follows:

" We have shifted our economic development policy from an inward-looking orientation to an outward-looking one. We have adopted an export-led development model, putting more emphasis on the international competitiveness, efficient allocation of available resources according to the competitive advantage and increased capacity utilization. We are demolishing the protectionist walls which cloistered Turkey for fifty years. Major changes in our economic approach are these: Most of the quantitative import controls have been removed, and liberalization of foreign trade has been achieved. Foreign exchange restrictions have been

reduced to a minimum. We have adopted a flexible exchange rate policy. Export subsidies have been reduced. We have also removed almost all protective quotas and restrictions on imports. New legislation has been enacted and new procedures have been put into effect to encourage and facilitate foreign investments in Turkey. Foreign banking institutions have been allowed to establish branches in Turkey. Today, there are fifteen foreign banks operating in Turkey."¹²

In his view, there are three fundamental determinants of his foreign policy: one is historical legacy; the other is strategic location of Turkey; and the last is the westernization of the country.

I. Historical Legacy

One basic determinant of Özal's foreign policy is the Turkish historical legacy. He summarizes his thoughts on this issue as follows: "The Turkish experience with the rise and fall of an empire has

made an important imprint on our attitudes in modern times. First of all, we have come to appreciate even more the value of peace. Ataturk's dictum of 'Peace at home, peace in the world' is a defining precept which is as relevant today as it was in the aftermath of the First World War. This dictum is also a fundamental guiding principle of my government in our relations with our neighbours and with every country on the globe."¹³

In the historical context, he defines the conduct of Turkish foreign policy during his speech at the opening ceremony of the Second Parliamentary Conference of the European Democratic Union (EDU) in 1989. According to him, "...foreign policy should not be the product of rash temperamental decision-making, it has continuity, reliability and predictability. We are patient and seek accommodation whenever there is room for it. We seek relations of friendship and cooperation with all countries, and with our neighbours in particular, based on respect for

sovereignty, non-intervention in internal affairs, equality and balance of mutual interests."¹⁴

II. Strategic Location

Another factor which has a bearing on Turkish foreign policy is geography. He specifies this point in most of his speeches. One is as follows: "Turkey, a country situated at the crossroads of three continents, which served throughout history as a bridge between the Occident and the orient, a bridge not only for the great conquerors and their armies for traders and their caravans, but also a bridge for new ideas and civilizations, has historically adopted and developed various fundamental principles in the conduct of her foreign policy."¹⁵ In the same speech, he continues to explain this crucial issue: "Turkey occupies an extremely important geostrategic location controlling the Turkish straits, the only exit from the black sea. Turkey also borders the

Middle East, an unsettled region which abounds from time immemorial with ongoing and potential conflicts. An important consequence of our geopolitical situation has been our adherence to an alliance system. Turkey today comprises one third of NATO's borders with the Soviet Union it has become the bulwark of western security in this eastern-most flank of the North Atlantic Alliance."¹⁶

In improving relations with the Middle Eastern countries which are located in the same region with Turkey, Özal again stresses the strategic location of the country. He explains this point as follows: "Turkey is continuing her function as a physical and economic bridge between the Middle East and the Western countries because of her geographic and historical place."¹⁷ He stresses that "...Turkey is successfully continuing to increase cooperations with Middle Eastern and Asian countries in addition to the economic and political ties with West."¹⁸ According to his view, "...Middle East is a region in which

problems can get bigger in each moment. Turkey has a stable image."¹⁹ This stable image of Turkey is supported by Islamic countries. He states that "Islamic countries are saying Turkey is superior to themselves in the field of economy, and they want us to lead them in this field. They see us as a leader in economy as well as in political issues."²⁰ In one of his speeches he expresses that "Turkey is in the effort of increasing economic, cultural and political relations with Islamic and Arabic countries. At the first stage, the development of the infrastructure possibilities between neighbour Islamic countries with Turkey is targeted. From Turkey to Persian Gulf, from Turkey to Mecca we accept the development of the highways and railways necessary for the improvement of economic and social relations with Middle Eastern countries. While the infrastructure is improving, economic and social relations will increase, and peace will come to the region."²¹

III. Westernization

Another factor which influences his foreign policy alignments is the "...Turkish nation's identification of itself with the industrialized, democratic societies of the West."²²

In one of his speeches, he states that "...this quest, which can be called the western vocation of Turkey, is an ongoing process which started in the last century. In fact, Turkey has been an integral part of Europe throughout the centuries. At one point in history Turkey was the southern neighbour Austria. Ottoman and Habsbourg houses were the longest reigning dynasties of Europe. Turkey's western vocation, gained a new thrust during the time of Ataturk, with the all-encompassing reforms carried out to radically change and modernize every aspect of the Turkish state and society. After the Second World War, pluralistic, multi-party democracy in Turkey flourished and as a natural outcome Turkey became

the member and in some cases the founding member of most western organizations."²³

In the dinner in honor of Margaret Thatcher, the then Prime Minister of England, Özal illustrated his sympathy for the Western countries more clearly. "Our economic program does not only aim at restoring stability, but also complementing our Western orientation with an economic content. Out of an interventionist and statist economy we have created a market economy of a Western type. Increasingly liberalized trade regime now opens our economy to international competition which rationalizes our production structures. The fiscal system is reshaped with the consolidation of Value-added tax (VAT). Our policy response to economic problems of our time has been harmonized with yours and some other industrial countries."²⁴

Although there is uncertainty, the grand goal of entering into the EC is visible in the efforts to

base the Turkish economy on economic liberalism, and the MP government has already taken bold measures to prepare Turkey for full membership. "Domestic economic conditions thus prepared will ease our full membership to the EEC and make the Turkish economy not a liability but an asset."²⁵ The weight of the economic problems is felt in all cases in our world. The economy is in the forefront in the conflict and friendship among countries. It is known that the countries with free market competition are the world's richest countries and more effective in foreign policies."²⁶

Özal has no doubts that integration will increase the political prestige of Turkey. "...there is a situation which cannot be compared with the beginning of the 1980s. Turkey became a country fulfilled with opportunities. At the top of these opportunities, international esteem comes. A big step has been taken on this path. Especially, after we came to power, fundamental and affirmative

contributions were observed."²⁷ For him, "...in the last few years, the international political esteem of Turkey is highly increased. After the Motherland Party government was founded, we gained a great esteem among the Western countries as well as the Eastern ones."²⁸

From this perspective, Özal believes that "...Turkey is determined to take its rightful place in all forms of western integration. Our application for full membership to the European Community should be seen in this perspective. We believe that Turkey's membership to the EC will be beneficial for Turkey, the twelve and the east in general, given Turkey's vast potential, industrial infrastructure, experienced and industrious workforce and her proximity to the Middle East and socialist countries."²⁹

Özal, during his Premiership, tried to construct concrete relations with the Western

countries with which Turkey has had a troublesome relationship. At the Fourth Press Conference, he explained such relations with Greece. "There are several problems. These are not at the solution stage, even today. While we are dealing with these problems, we can go on fighting instead of finding a solution. So, let us freeze these matters, and improve the economic and touristic issues at the government level. We thought that these developments may provide some help in areas we could not find solutions."³⁰

Cyprus is a longstanding issue between Turkey and Greece. Özal's speech at the dinner in honor of the President of the Turkish Republic of Northern Cyprus explains the relations between Turkey and Cyprus. "No doubt we will help the Turkish Republic of Northern Cyprus to accelerate development, increase its national wealth level, provide sources for investments and open the economy. These are the biggest guarantee for the future of Turkish people in Cyprus. We wish to increase economic and commercial

relations and coordinations."³¹ He strongly stresses that "...bad experiences that we lived since the independence of the island, showed us that, the important assurance for the equality with the Greek side is economic development. As long as you have a weak economy, you have difficulties to implement your equality fully and continuously."³² Here again, he emphasizes the overriding importance of the economy and its determining role for problems at political and social levels.

The three major determinants of Özal's foreign policies are highly important issues for Turkey. As a result of the historical legacy of Turkey, as Özal stated above, peaceful strategies have been followed in the international relations of Turkey since the foundation of the Republic.

In addition to this factor, because of the geostrategic location of Turkey between many countries, Turkey has had to develop careful relations

with the Western, Eastern European and Middle Eastern neighbours. Özal stresses the importance of a democratic system in the life of a country in his many speeches. He takes the Western countries as an example to achieve the democratic system while the free-market economy is implemented. So, he prefers to accelerate the process of westernization. He believes that if he can be successful in this attempt, that is westernization, he is sure that Turkey can become a member of the EC. This is why he opens up the economy abroad.

NOTES

¹TV Series "From Within the Government", September 27, 1984.

²See 1.

³At the 9th Press Conference, December 14, 1985.

⁴His speech at the dinner in honor of himself by Prime Minister of Korea, November 5, 1986.

⁵His speech at the Party Group, June 20, 1989.

⁶TV Series "From Within the Government ", October 29, 1985.

⁷His speech at Vienne, September 19, 1986.

⁸At Ankara Gazi University, June 26, 1989.

⁹Interview by Financial Times, May 15, 1984.

¹⁰The Seventh Press Conference, December 15, 1984.

¹¹His Press Conference on the political issues, March 10, 1984.

¹²His speech at Munich, April 19, 1985.

¹³His speech at the Opening Ceremony of the Second Parliamentary Conference of the European Democratic union (EDU), August 25, 1989.

¹⁴See 13.

¹⁵See 13.

¹⁶See 13.

¹⁷His message sent to the International Seminar of "Batı ile Ortadoğu Arasındaki Ekonomik İlişkilerde Aktif Bir Ortak Türkiye" at Cyprus, May 12, 1985.

¹⁸His speech at the dinner in honor of the Prime Minister of Japan, May 20, 1985.

¹⁹Interview by the "Anadolu Ajansi" on the Middle Eastern issues, February 18, 1984.

²⁰Interview by the Al-Shark at Beirut, April 25, 1984.

²¹Interviews by journalists, November 23, 1984.

²²See 13.

²³See 13.

²⁴His speech during the lunch at the Mansion House in honor of himself by the London Mayor, February 18, 1986.

²⁵See 24.

²⁶Interview by the Near East Briefing (NEB) Review, December 29, 1983.

²⁷Interview with Cumhuriyet (Istanbul daily), February 20, 1984.

²⁸His speech at Konya, February 24, 1984.

²⁹See 13.

³⁰The Fifth Press Conference, May 18, 1984.

³¹His speech at the dinner in honor of the President of Turkish Republic of Northern Cyprus, June 13, 1984.

³²His speech at Turkish Republic of Northern Cyprus, July 3, 1984.



CONCLUSION

The year 1980 became a turning-point for Turkey both in terms of its economy and politics. The January 24, 1980 economic policies and a few months later, the September 12 military coup introduced grand changes in the country with far-reaching repercussions in almost all aspects of life.

In the economic scene, the new radical changes were identified by Turgut Özal. His economic philosophy was shaped by his experiences as Under-Secretary in the State Planning Organization between 1967-1971; as the staff of the World Bank for almost three years; as a managing director in Turkish private sector; as the principal economic advisor of the pre-1980 coup government. During the 1980-83 period, he served as Deputy Prime Minister in the military-controlled government. By the end of 1983, Turkey faced a quick shift toward civilian rule. After the

November 1983 elections, Özal was actively involved in Turkish politics.

As noted in Chapter Two, although he had full authority in the economy, he realized that there are no limits to the power of the politicians. Because, the actors in the political arena had become the major authority in shaping the economy during the history.

Since the foundation of the Republic, Turkey had followed moreless the same economic development model with minor alterations. But after 1983, the economic and political power were significantly merged by the MP governments under the leadership of Özal on a totally new course.

Özal's governments have had two fundamental objectives: one was the success of their restructuring programme in the field of the economy and the other was the continuation of stability in the political arena. So, he followed the free-market model both in

Turkish foreign and domestic politics, just like the Western democratic countries do.

As emphasized in Chapters Two, Three and Four, the issues of the economy are of overriding importance for Özal. Therefore, in contrast to the previous practices, and as part of a deliberate strategy, political restructuring did not receive the same attention as the economic restructuring, although this structuring was no less significant than those in the economic realm. It can be said that Özal harnessed political power to achieve the far reaching changes he intended to make in the economy.

SELECTED REFERENCES

a. Books:

Bremond, J. and Geledan, A., Dictionnaire des Theories et Mechanismes Economiques, Paris:Hatier. 1984.

Denis, H., Histoire de la Pensee Economique, Paris:Presses Universitaires de France, 1988.

Hale, W., The Political and Economic Development of Turkey, New York: St. Martin's Press, 1981.

Issawi, C., The Economic History of Turkey 1800-1914, University of Chicago Press, 1980.

Kavanagh, D., Political Science and Polotical Behaviour, London: George Allen and Unwin Inc., 1983.

Merkel, P. H., Political Continuity and Change, New York: Harper and Row Publishers, 1967.

Özmen, S., Türkiye'de ve Dünya'da KİT'lerin Özelleştirilmesi, İstanbul: Meter Matbaası, 1987.

b. Articles:

From a Journal

Heper, M., 'Center and Periphery in the Ottoman Empire with Special Reference to the Nineteenth Century', International Science Political Review, v.1, n.1, 1980.

Mardin, Ş., 'Center-Periphery Relations: A Key to Turkish Politics?', Daedalus, n.102, 1972, pp.169-190.

Mardin, S., 'Power, Civil Society and Culture in the Ottoman Empire', Comparative Studies in Society and History, 11:3, 1969, pp.258-282.

From a book

Ergüder, Ü., 'Post-1980 Parties and Politics in Turkey', Perspectives on Democracy in Turkey, E. Özbudun ed. Ankara:Turkish Political Science Association, 1988, pp.1-41.

İnalçık, H., 'The Ottoman Economic Mind and Aspects of the Ottoman Economy', Studies in the Economic History of the Middle East from the Rise of Islam to the Present Day, M. A. Cook ed. London: Oxford University Press, 1970, pp.206-218.

Mardin, S., 'Turkey: The Transformation of an Economic Code', Political Economy of Income Distribution in Turkey, E. Ozbudun and A. Ulasan eds. New York: Holmes and Meires, 1980, pp.23-53.

Sunar, I., 'State and economy in the Ottoman Empire', The Ottoman Empire and the world Economy, H. Islamoğlu-Inan ed. Cambridge University Press, 1987.

c. Paper:

Kapits, G., Structural Reforms, Stabilization and Growth in Turkey, Occasional Paper, n.52, International Monetary Fund, Washington D.C., May 1987, pp.1-47.

d. Others:

'Başbakan Turgut Özal'ın Konuşma, Mesaj, Beyanat ve Mülakatları' (13 December 1983 - 12 December 1984), Başbakanlık, Ankara, 1984.

'Başbakan Turgut Özal'ın Konuşma, Mesaj, Beyanat ve Mülakatları' (13 December 1984 - 12 December 1985), Başbakanlık, Ankara, 1985.

`Başbakan Turgut Özal'ın Konuşma, Mesaj, Beyanat ve Mülakatları' (13 December 1985 - 12 December 1986), Başbakanlık, Ankara, 1986.

`Başbakan Turgut Özal'ın Konuşma, Mesaj, Beyanat ve Mülakatları' (13 December 1986 - 12 December 1987), Başbakanlık, Ankara, 1987.

`Başbakan Turgut Özal'ın Konuşma, Mesaj, Beyanat ve Mülakatları' (13 December 1987 - 12 December 1988), Başbakanlık, Ankara, 1988.

`Başbakan Turgut Özal'ın Konuşma, Mesaj, Beyanat ve Mülakatları' (13 December 1988 - 12 December 1989), Başbakanlık, Ankara, 1989.