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# MILITARY-ECONOMIC STRUCTURE IN TURKEY: PRESENT SITUATION, PROBLEMS, AND SOLUTIONS

İSMET AKÇA



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# Abbreviations

<b>EU</b>	European Union
<b>ECtHR</b>	European Court of Human Rights
<b>MIUC</b>	Military-Industrial- University Complex
<b>HMAC</b>	High Military Administrative Court
<b>GNP</b>	Gross National Product
<b>GDP</b>	Gross Domestic Product
<b>LSI</b>	Laborers Solidarity Institute
<b>CSSI</b>	Civil Servants Solidarity Institute
<b>MCIC</b>	Machine and Chemical Industry Corporation
<b>NSPD</b>	National Security Policy Document
<b>MoD</b>	Ministry of Defense
<b>NDC</b>	National Defense Commission
<b>MUSIAD</b>	Independent Industrialists and Businessmen Association
<b>OYAK</b>	Armed Forces Trust and Pension Fund
<b>SADER</b>	Defense Industry Association
<b>SASAD</b>	Defense Industry Producers Association
<b>SIPRI</b>	Stockholm International Peace Research Institute
<b>DISF</b>	Defense Industry Support Fund
<b>SSO</b>	Social Security Organization
<b>DDI</b>	Directorate of Defense Industry
<b>TGNA</b>	Turkish Grand National Assembly
<b>TRNCOA</b>	Turkish Retired Non-Commissioned Officers Association
<b>TCEA</b>	Turkish Confederation of Employer Associations
<b>TAF</b>	Turkish Armed Forces
<b>TAFF</b>	Turkish Armed Forces Foundation

# Summary

Turkey's military operates in an expansive area, where it performs both the primary roles of all modern militaries to provide external security as well as additional political, commercial, cultural, and ideological roles, and enjoys legal and practical autonomy from oversight by civilian public authorities. Therefore, Turkey is characterized by praetorian militarism. One of the striking features of praetorian militarism is that, because militaries exercise their "relatively" autonomous power within larger and complicated power networks, including other social and political actors, they constantly seek to nourish their sources of political, administrative, and financial power.

This report locates the military, the central actor in Turkey's militarism, within the economy and economic processes, and offers a breakdown of the military-economic structure in Turkey. The report is built on findings revealed in TESEV's "Security Sector and Democratic Governance" almanacs (2005, 2009), past studies on this theme, and recent developments.

Turkey's military-economic structure stands on three pillars. The first pillar is the military holding company, the Armed Forces Trust and Pension Fund (OYAK), which affirms the military's presence as an economic actor. The second pillar is military spending, which reaches extremely high levels and is controlled almost absolutely by the military. The third pillar is the military industry, where fast-paced development is encouraged and leads to the militarization of the whole of Turkish industry. These three pillars share one characteristic: they are all steered by the military.

The existing military-economic structure resists civilian efforts to challenge the politics of (national) security. In fact, the military-economic structure depends upon a politics and culture of (in)security for its survival. A democratic socio-political and socio-economic life cannot thrive without realizing demilitarization of the politics and culture of security. Therefore, the deconstruction of the military-economic structure is necessary for the democratization of the military, at least to the extent that it will confine the military to its immediate and core area of authority in external security. It is also necessary for the democratization of "civilian" spaces, which currently reproduce militarism.

The report concludes with a section on the problems generated by each of the three pillars of Turkey's military-economic structure and offers proposals for short- and long-term solutions. These proposals have two basic propositions: 1) Eliminate the almost absolute control of the military over all three pillars, opening them to democratic oversight by the parliament and civilian organizations; 2) Deconstruct the existing military-economic structure so that Turkey's economic resources can be used to meet democratic social needs, rather than those needs determined by a military rationale.

# Introduction<sup>1</sup>

Turkey's military operates in an expansive area, where it performs both the primary function of all modern militaries – to provide protection from external threats – as well as additional political, commercial, cultural and ideological roles, enjoying legal and practical autonomy from oversight by civilian public authorities. Therefore, Turkey is characterized by praetorian militarism.<sup>2</sup> One of the striking features of praetorian militarism is that because militaries exercise their “relatively” autonomous power within larger, complex power networks, which include other social and political actors, they constantly seek to nourish their sources of political, administrative, and financial power. Hence, the economy is a key area of power in praetorian militarism.

The processes of waging and preparing for war have always been correlated with modes of production; the former and the latter are locked in a relationship of conditionality. Capitalism engendered the industrialization of war and wartime preparations, and new, specific, and intricate forms emerged between militarism and capitalist capital accumulation processes, the corporate architecture of the state, and the sphere of social relations. In most developed countries today, a capitalist-militarist structure, which may succinctly be termed the “Military-Industrial-University Complex” (MIUC).<sup>3</sup> The first three pillars of the MIUC are constructed by companies operating in the war industry, which receives a high level of military spending, and the military and/or civilian bureaucracy and political authorities, which control the military procurement tenders. The war industry engages with knowledge production to enhance its relationship with political actors and subsequently develops organic ties to scientific and academic life. Consequently, academic knowledge production functions to legitimize a militaristic concept of security. It must be noted that this type of capitalist-militarist structure exists in its most advanced form in some Western countries that have decelerated praetorian militarism (in other words, those countries where militaries are controlled by the civilian political authorities).

Turkey and other societies that are latecomers to the capitalist modernization process are unable to employ civilian oversight of their armed forces and are thus characterized by praetorian militarism, another type of capitalist-militarist structure where the military is an economic actor in all fields of the economy (production, trade, finance). This implies, in the Turkish context, the conversion of the Turkish Armed Forces (TAF) into a capitalist collective: The military officer becomes an industrialist, a merchant, a financial investor, and a rentier. While this type of MIUC is found in several countries<sup>4</sup> today, the Turkish MIUC is the earliest and most advanced. Examples from other countries bear resemblance to the Turkish case in that they were also established as trust funds and benefit from various legal privileges. Pakistan, where this form of the MIUC emerged in 1953, may be considered the earliest example; however, the structure became operational much later, in the 1970s. Besides, Pakistan is an exception, where each commander is allotted a separate trust fund and consequently controls a separate holding company. The incorporation of holding companies by military officers proliferated in the 1970s in many other countries (such as China). In Central American countries (Honduras, El Salvador, Nicaragua), while trust funds were founded much earlier, their preeminence as economic actors came later, in the 1990s.

1 I wholeheartedly thank Ümit Cizre, the academic referee appointed by TESEV to evaluate the first draft of this report, for her significant contributions to the finalization of this report.

2 I define militarism as the use of violence or the threat to its use internally and externally to govern social and political relationships of power and to discipline sociopolitical forces, as well as a form of governance equipped with political, legal, ideological and economic provisions that realize the former. I treat praetorian militarism as a form of militarism. In this form of militarism, on the one hand, militaries act autonomously from political authorities and employ formal and informal mechanisms to intervene into political processes and to dominate the political sphere. On the other hand, militaries create resources and mechanisms that will sustain their autonomous power over political, administrative, legal, economic, cultural and ideological spheres. It must be noted however that militarism may also be very strong in non-praetorian contexts where the militaries are overseen by civilian political authorities. For a study of this phenomenon in especially Israeli context, please see Ben-Eliezer, 1997. For an analysis on the concept of praetorianism and its application to the Turkey case, please see İnsel, 1999.

3 Here, countries like USA, Israel, Russia, France, Germany, United Kingdom and Sweden come to mind first. Though there are numerous sources on MIUC, the following provide general overviews: Serfati, 1995; Custers, 2008; Nitzan and Bichler, 1996.

4 China, Indonesia, Thailand in Asia; Egypt, Pakistan, Syria in the Middle East; Nicaragua, Guatemala, El Salvador, Honduras, Ecuador, Colombia, Chile, Bolivia in Latin and Central America. The few resources available on these specific examples include: Casas and Brenes, 1998; Cheung, 2000; Mulvenon, 2001; Robison, 1986; McCulloch, 2000; Siddiq-Agha, 2001, and Mani, 2007.

This report locates the military, the central actor in Turkey's militarism, within the economy and economic processes. Based on findings revealed in TESEV's "Security Sector and Democratic Governance" almanacs (2005, 2009), past studies on this theme, and recent developments, the report aims to analyze the economic direction of Turkey's militarism, identify problems, and suggest several solutions. Accordingly, it complements TESEV's first policy paper on Security Sector Reform.<sup>5</sup> In fact, an analysis of the military's position in and influence over the economic sphere and economic processes ought to address the restructuring of capital accumulation, the reconfiguration of the state's corporatist landscape via the introduction of corresponding corporate, legal, and other changes, and the reshaping of class and power relations so as to provide a more comprehensive and holistic analysis. However, an analysis of magnitude would exceed the length proposed for this report and thus this report narrows its focus to military-economic relationships.

Hence, this report contains three main sections: The first section is on the military holding company, the Armed Forces Trust and Pension Fund (OYAK), which affirms the military's presence as an economic actor. The second section features military spending, which is under the almost absolute control of the military. The third section is on military industry, marked by its fast-paced development in Turkey. All three areas share one characteristic: they are all under the control of the military in Turkey.

Neoliberal policies of the post-1980s led to the privatization and commodification of public services. Previously defined and offered as a public service, security provision also entered the process of privatization and commodification. Since security was commodified and converted into an economic sector in the neoliberal era,<sup>6</sup> the use of term "security sector" in the sub-heading of the two security Almanacs is not a coincidence; its use highlights how the relationship between security and the capitalist economy became organic. Hopefully this report, which leaves aside the remaining actors in the security sector and focuses only the military establishment and on particular axes of the organic relationship suggested above, will offer guidance – at least to a certain extent – towards a democratic social and political life.

5 Akay, 2009.

6 On the commodification of security via private security companies, private military contractors, and private penitentiaries, please see Neocleous, 2008 and Balta Paker, 2009.



# The Holding Company of the Military Officers: The Armed Forces Trust and Pension Fund (OYAK)<sup>7</sup>

The ability of the military to act as a collective capitalist organization through OYAK constitutes a significant aspect of Turkey's militarization. What is OYAK in terms its legal status, its administrative structure, and its activities? As a holding company, what are OYAK's investments, financial size, and power? What are the factors contributing to OYAK's emergence as one of Turkey's largest holdings? What are the implications of OYAK's existence? These questions will guide us through the following section.

OYAK's establishment by Law No. 205, ratified on January 3, 1961 by the National Unity Committee, came immediately after the first military coup of the Republic on May 27, 1960.<sup>8</sup> Thus, OYAK is the product of a legislative exercise from an extraordinary period. Despite that fact, the OYAK Law is still one of the most indomitable pieces of legislation in Turkey's history, and OYAK's very existence gradually became ordinary and acceptable.<sup>9</sup>

Members of the military, bureaucracy, intelligentsia, and the bourgeoisie from those sectors of society that championed the May 27 coup supported OYAK's establishment for different reasons and joined its administrative commissions within the first years of its founding. The junta leadership at the time justified the OYAK Law on the grounds that retired military officers are "only provided a modest living" and are "unable to retain lifestyles that correspond to their social status;" OYAK was prepared so that retired officers would "no longer be worried about their future and could enjoy financial and spiritual peace." These words reveal how military officers in Turkey see themselves as a "privileged community."<sup>10</sup>

## WHAT IS OYAK AND IS IT A CIVILIAN ORGANIZATION?

The question of what OYAK is ought to be answered by first identifying its legal status. OYAK is bound by its special law and falls under the jurisdiction of either private or public law depending on the context. According to the first article of Law No. 205, OYAK is an administratively and financially independent legal entity attached to the Ministry of Defense and subject to special legal provisions. Article 37 states that all assets, revenues, and claims of the organization are eligible for the rights and privileges attached to state property and that violators/offenders are subject to similar charges received by violators of state property. Apparently, special laws govern OYAK's relationship with third parties, and this arrangement facilitates its pursuit of revenue-generating activities. On the other hand, one can also deduce from the OYAK Law that this fund is also a public legal entity because it is endowed with public rights, authorities, and privileges. In other words, OYAK has a legal status that allows it to benefit from the privileges of both private and public law. For example, the relationship between OYAK and its beneficiaries is placed under the jurisdiction of the Supreme Military Administrative Court (SMAC); on cases against OYAK for claims on "the distribution of benefits to former beneficiaries" and "the unconstitutional character of compulsory membership to OYAK," SMAC ruled against the plaintiffs. Evidently, the double-headed nature of the judiciary in Turkey, due to the existence of a separate military judiciary, poses a significant problem in the case of OYAK as well.<sup>11</sup>

7 This section is based on previous studies: Akça, 2004; 2006; 2009. I would also like to cite Taha Parla's 1998 article which laid the groundwork for this particular academic subject.

8 Official Gazette, no. 10702, 09.01.1961. The law was put in force on 01.03.1961. For the OYAK Law, please see also [http://www.oyak.com.tr/OyakWEBTR/alt\\_sayfalar.jsp?menu\\_id=21](http://www.oyak.com.tr/OyakWEBTR/alt_sayfalar.jsp?menu_id=21).

9 The Law was amended only in 1996 on some technical issues.

10 For a more detailed analysis on OYAK's establishment process, please see Akça, 2004: 230-234; 2006: 333-338.

11 Please see Journal no.7 Department of Ruling: SMAC. DrKrl. Date of Decision: 08.03.1990 Decision No. 89/7 E.90/4 K.; Journal no. 15 Department of Ruling: SMAC.1.D. Date of Decision: 19.12.2000 Decision No. E.2000/271. For more information, please see Ak.a, 2006: 315-316.

The question “What is OYAK?” raises a following question of whether OYAK is a civilian institution or a military one. OYAK administrators’ comments highlighting the civilianization of OYAK in the recent years convey their tendency to disassociate the holding company with the military.<sup>12</sup> However, a review of the membership and administrative structure of OYAK reveals that the military is clearly in control. The permanent members of the organization are active officers, non-commissioned officers (NCOs), and civil servants in the Turkish Armed Forces.<sup>13</sup> Their membership in the fund is compulsory and they constitute the majority of the 250,000 plus members. NCOs who serve as draftees are temporary members. With respect to OYAK’s administrative structure, the 50 to 100-member board of representatives contains only military officers, and the 40-seat general assembly has only nine civilian members. Although the law states that only three members of the seven-member board of directors may be military personnel, in practice, since 1976 the military has occupied four seats and the board presidency. The present board contains five military members, two of whom are retired and three of whom are active-duty.<sup>14</sup> Until 2001, a supervisory board oversaw OYAK’s activities,<sup>15</sup> as stated in the Law on Institutions. Since 2001, a private auditing firm carries out an additional financial audit of OYAK activities. It should be noted that civilian professionals manage companies attached to OYAK. These companies have retired military officers on their boards of directors but accurate data on the number of retired officers on the boards is not available.

OYAK operates as a compulsory savings institution, a supplementary social security and welfare organization, and a holding company. OYAK is first and foremost a compulsory savings institution. Membership fees constitute a major source of revenue for OYAK. According to the OYAK Law (Art. 18) 10 percent of salaries of permanent members and five percent of salaries of temporary members (NCOs), who are not entitled to any returns on their savings, are deducted automatically every month as OYAK membership contributions.

OYAK is a secondary social security organization, which supplements the Pensions Fund for its members. In this respect, OYAK is mandated to offer two types of services, social welfare and social services. Social welfare pertains to the distribution of pensions benefits and death and disability benefits in return for membership contributions. Pension benefit payments are the staple of OYAK’s social welfare services, and they are offered to pensioners who have been OYAK members for at least 10 years.<sup>16</sup> The rate of returns received by OYAK pensioners remained below the inflation rates until 1985; however, after the rates were adjusted according to inflation rates in the mid-1990s, the returns increased dramatically.<sup>17</sup> OYAK’s social services (or social investments) do generate some revenue, but they are designed as a form of credits and loan financing provided to OYAK members for below- market rates and longer terms.

OYAK is unique for the profit-making financial activities that it carries out as a holding-like institution. OYAK is hardly just a social welfare institution since it operates as a capital holding by investing in production, trade, services and finance sectors. This operational arrangement was envisaged in its establishment and hence stated in the OYAK Law. OYAK is exempted from restrictions on investing its saving funds into revenue-generating activities, which are placed on other social security institutions, such as the Pensions Fund, Social Security Institution (SSK), and the Pensions Fund for Traders, Crafters and the Self-Employed (Bağ-Kur). Law No.205 (Art. 33) places no restrictions on OYAK on managing its assets. It is worth noting that a similar arrangement was foreseen in the early 1970s for civil servants through the Civil Servants Trust and Pension Fund (MEYAK) and for laborers through the Laborers Trust and Pension Fund (İYAK). However, while İYAK was never institutionalized, the attempts to introduce the OYAK

12 For examples of such comments, please see Milliyet, 23.11.2001 and 26.04.2002; OYAK 2004 Activity Report, p.10; OYAK 2008 Activity Report, p. 3.

13 Article 17 of Law no.205 states that “Permanent members of the Fund are salaried officers, contracted officers, civil servants in the military, NCOs, contracted NCOs and qualified gendarmerie officers who actively serve as staffmembers at the Turkish Armed Forces; retired civil servants of the TAF; and wives of deceased officers who wish to remain members”. “Qualified petty officers and salaried civil servants and maintenance staff who are employed in Ministry of Defense, General Command of the Gendarmerie, Armed Forces Trust and Pensions Fund and in companies owned or merged by OYAK by share values of 50% or higher may become permanent members of the Fund, if they so choose”.

14 More information on the structure of these bodies is available in Akça, 2004: 228-229. One of the retired military officer members of the board of directors is Lieutenant General Yıldırım Türker, who is also board president. The other retired military officer members is a military judge and brigadier general. Two of the three active officers who sit on the board are major generals and the third is a vice admiral. One of the two civilian members of the board is an academic and the other is a retired governor. For more details, please see OYAK, 2009: 6-7.

15 The supervisory board is composed of three persons, one of which is a military personnel. “The Supervisory Board is made up of three members: one member is elected by the General Assembly out of 5 candidates nominated by the Ministry of Defense; one member is elected by the head of the Public Oversight Delegation; one member is elected by the President of the Administrative Delegation of Turkish Union of Banks”.

16 Members of 3-10 years are not entitled to monthly pension benefit payments and they are reimbursed their accumulated savings; members of less than 3 years receive no payment at all. Moreover, those OYAK members who became eligible for retirement through the “pensions salaries system” activated in 1996 are able to submit from ¼ up to ¾ of their pension benefit payments to OYAK and subsequently acquire the right to shares in OYAK profits (rates determined according to annual contributions) and to all other OYAK social services for the rest of their lives.

17 Akça, 2004: 235-237; OYAK, 2009: 18.

arrangements to MEYAK began by collecting contributions from civil servants and ended as a failed experiment in 1982 when those contributions were paid back to their owners.<sup>18</sup>

OYAK's primary source of revenue and spending is its financial investments. In fact, OYAK openly states that its core function is to act as a holding company. The mission statement of the fund reads, "OYAK is a social welfare institution that protects first and foremost the actuarial balance in its operations. On the one hand, OYAK provides the services demanded by its members with a business-minded professionalism to assure the highest standards of service, and on the other hand, in order to offer the highest rates of return to its members,... OYAK operates as a holding company, which invests in portfolios and business partnerships."<sup>19</sup> Consequently, it would not be wrong to define OYAK as a "military holding" considering its membership structure, the structures of its decision-making bodies, and its main areas of activity.

## OYAK, THE MILITARY HOLDING COMPANY

Presently, OYAK is a massive holding that contains a total of 60 companies, 29 of which it wholly owns. OYAK investments and profits are never used for military spending and projects; OYAK invests in industrial production and the financial and services sectors. OYAK's investments are concentrated in the automotive, cement, and iron-steel industries and are also distributed across the following sectors: finance, energy, mining, agricultural chemicals, food, construction, transportation-logistics, domestic-foreign trade, private security, technology-IT, and tourism. Below is a list of companies that are a part of OYAK:

- Industry: OYAK Renault, Erdemir, İsdemir, Adana Çimento, Mardin Çimento, Bolu Çimento, Ünye Çimento, Aslan Çimento, Birçim Çimento ve Madencilik, OYAK Beton, Aslan Beton, Oyak OYAK Kâğıt Ambalaj, İSKEN, OYAK Enerji, HEKTAŞ, TUKAŞ, Tam Gıda (Eti).
- Finance: OYAK Anker Bank, OYAK Yatırım Menkul Değerler, Halk Finansal Kiralama.
- Services: RENAULT-MAİS, OMSAN, OYTAŞ, OYAK Savunma ve Güvenlik Sistemleri, OYAK Teknoloji, OYAK İnşaat, OYAK Konut İnşaat, OYAK Pazarlama, Eti Pazarlama.

OYAK holds the majority of shares in all but five of the companies listed above (Oyak-Renault, İsken, Tam Gıda-Eti, Eti Pazarlama, Halk Finansal Kiralama). Most of these companies are among the largest and most profitable in Turkey. Since its foundation, OYAK has established varying degrees of business partnerships with major domestic and foreign corporations as well as publicly owned enterprises. OYAK's current business partners include Renault, STEAG-AG, Nuh Holding, Eti Holding, Halkbank, and SSK. Among the companies OYAK has partnered with over the past 49 years are world giants like Axa, Goodyear, and Elf; Turkey's large corporations such as Sabancı, Koç and Yasar Holdings, Gama, Yapı Kredi Bankası, Garanti Bankası, Kutlutaş Holding, Alarko, and Cerrahoğulları; and, publicly owned enterprises like Ziraat Bankası, Turkish Petroleum Corporation (TPAO), and Petkim.

The figures for end of year 2009 indicate that OYAK's total assets are worth 12.676 million TL, the combined sales revenue of all OYAK companies reached 19.1 billion TL, and their total assets, 28.3 billion TL.<sup>20</sup> Even though annual economic figures for holding companies are not released systematically in Turkey, figures obtained from select years show that OYAK is one of Turkey's five largest holdings. For example, in terms of its rate of capital gains, OYAK ranks third after Koç and Sabancı holdings in 1990 and fourth after Koç, Sabancı, and Çukurova in 1996.<sup>21</sup> In 2000, Koç Holding stood at the top with 11.7 billion US dollars in annual turnover, followed by Sabancı at 5.6 billion US dollars and OYAK in third place with 4.9 billion US dollars.<sup>22</sup> OYAK's CEO, Coşkun Ulusoy, presented a comparative study of capital gains incurred by OYAK, Koç and Sabancı holdings during a "Business Partners and Staff" meeting on September 7, 2005, and announced that OYAK is the most profitable holding in Turkey.<sup>23</sup>

Sabah daily published a story on OYAK's 2000 activity report with the headline, "Military Tactics Create a Miracle," and OYAK's CEO Coşkun Ulusoy (a civilian!) boasted of the holding company's success with the words, "Ultimately, business life is just another battleground. When military principles, tested time and again through bloody combat,

18 Aziz Çelik, "Does the State Rob its own Citizens?" *Birgün*, 07.04.2005.

19 OYAK, 2009:1.

20 OYAK (2009:2, 40). To track the development of OYAK's total worth over its lifetime, please see Akça, 2004: 242-243.

21 Ercan, 1997: 174.

22 "OYAK Runs On Military Discipline, Perfected Through Brutal Combat", *Sabah*, 23.11.2001.

23 OYAK, 2005.

are applied to business, then there are no chances of failure.”<sup>24</sup> Leaving rhetoric aside, what is the secret behind the apparent “miracle”? In order to answer the question, some qualities particular to OYAK need to be taken into consideration first and then the savings strategies of OYAK and its positioning within Turkey’s capital structure need to be assessed.

Some of OYAK’s legal privileges undoubtedly give it economic advantages. The first item on a list of privileges is tax exemption. While companies attached to OYAK do pay taxes, OYAK itself is exempted from all kinds of taxes (income, corporate, inheritance, estate transfer taxes, and revenue stamp duties). Second, the compulsory deductions from members’ salaries source OYAK with cost-free cash. This constant supply of cash becomes OYAK’s greatest strength during times of financial crisis. Besides, OYAK is not obliged to provide services in return for the compulsory contributions of non-commissioned officers. Additionally, the returns on members’ savings were kept under the rates of inflation until the 1990s and OYAK benefited economically from this financial arrangement as well. Third, all OYAK property is protected from confiscation because of the legal recognition of OYAK property as “state property.” Fourth, since the relationship between OYAK and its members is placed under the jurisdiction of military administrative courts, OYAK attains immunity from reproach from its members. Neither past requests by OYAK members to cancel their membership, nor the plea of the Turkish Retired Petty Officers Association (TEMAD) to extend the period of the distribution of income returns after the age of retirement, have been honored by OYAK.<sup>25</sup>

Bearing in mind that economic relationships are not independent from political power relationships, OYAK benefits particularly from the potentially high impact of the military’s political influence over the economy. OYAK enjoys this particular advantage when handing over its bankrupt companies to publicly owned enterprises, in entering into partnerships with public institutions and thereafter securing public procurement contracts and when using public resources. While backing OYAK’s exercise of this advantage empirically is not always possible, there are several clear examples as well as strong evidence against OYAK in other, less obvious cases.

In 1984, OYAK handed over two failing automotive companies (Türkiye Otomotiv Endüstrileri A.Ş. [TOE] and Motorlu Araçlar Ticaret A.Ş. [MAT]) – which had been in crisis since the early 1980s and had almost bankrupted – to Ziraat Bankası, a public sector institution.<sup>26</sup> In other words, these two bankrupt companies were taken over by the state. Similarly, Emlak Kredi Bankası bought shares in 1985 in four construction companies, which were parts of Oyak-Kutlutaş Holding then in financial crisis.<sup>27</sup> Again in the construction sector, SSK became a junior partner with 25 percent of the shares of Oyak İnşaat in 1995 and agreed to pay 2.554 million US dollars to OYAK and to employ Oyak İnşaat in all SSK construction contracts with a one percent discount. It later emerged that OYAK accrued additional profits from SSK public procurement contracts on top of those already generated through that deal. Several publicly-acclaimed persons commented that following the rewarding of nine SSK contracts, then worth 17 trillion, with rates of one percent and 6.5 percent discount, to Oyak İnşaat, the contractor handed the nine projects over to subcontractors at a 23.24 percent discount and kept the outstanding sum of 2.443 trillion as an additional profit.<sup>28</sup> Refik Baydur, the President of the Turkish Confederation of Employers Associations (TISK), which is regarded as one of Turkey’s most politically conservative and military-friendly organizations, was highly critical of this contractual relationship and stated that Bülent Ecevit<sup>29</sup> failed to step in despite calls for his intervention and that the cost of public procurement would have been reduced by 30 percent if other companies had been admitted into the tender process.<sup>30</sup> Yaşar Okuyan, then-Minister of Labor and Social Security, also admitted that SSK construction contracts were transferred to Oyak İnşaat.<sup>31</sup>

The last example concerns a series of developments in the banking sector during Turkey’s worst crisis, the banking crisis of 2001. After the 2001 crisis, a financial rescue operation was devised to channel public funds into banks in financial difficulty; the TGNA Planning and Budgetary Commission decided that the rescue package would be extended only to banks controlling more than one percent of the total market share within the sector. Cüneyt Akman says that “the manipulation of the sector is so obvious that if the floor of the rescue package was set at

24 Ibid.

25 For a more detailed analysis, please see Akça, 2004 and 2006.

26 A public sector institution [translator’s note]

27 Sönmez, 1987: 252.

28 “Apparently, SSK is not short of cash”, Yeni Şafak, 18.06.1999.

29 Then the Prime Minister of the Republic of Turkey [translator’s note]

30 “Employers Comment on Corruption”, Yeni Şafak, 19.07.1999.

31 “Okuyan Confesses to Granting Favors”, Yeni Şafak, 03.08.1999.

1.5 percent instead of one percent, then the two banks owned by one of Turkey's largest media corporations and Turkey's largest military-industrial bank would have been left out.<sup>32</sup> Another point made frequently by the media at the time was that the criterion of market share was inadequate to establish an efficient financial rescue plan.<sup>33</sup> In March 2001, 3.9 percent of loans in private capital commercial banks were bad, whereas Oyak's percentage of bad loans was much higher, amounting to 12.7 percent. Oyak Bank's average return on assets was -5.3 percent, well below the 1.2 percent average for commercial banks. Clearly, Oyak Bank did not fare well by these and other criteria for success and yet an arbitrary measure was introduced to include Oyak Bank in the category of banks to be rescued.<sup>34</sup> After surviving the 2001 crisis, Oyak Bank purchased Sümerbank from the Savings Deposit Insurance Fund (TMSF) and reemerged as one of the leaders of the banking sector. There are also peculiarities in Oyak Bank's purchase of Sümerbank. Selçuk Saka, the President of the OYAK Board of Directors, said, "I wish to announce that against all expectations, we have paid only a symbolic sum of 50 billion TL to purchase Sümerbank." Saka continued, "I choose not to reveal in this statement the total value of assets and properties owned by Sümerbank except to say that the profit it will yield after 4.5 months will equal or potentially exceed the total profits of 25 other OYAK affiliates."<sup>35</sup> Saka's predictions proved accurate when, immediately after Oyak Bank ended the year 2000 with losses worth 8.6 trillion, and following its announcement to invest 27 billion into Sümerbank, the Sümerbank-Oyakbank merger recorded 167 trillion in profits in 2001.<sup>36</sup>

OYAK's unique qualities and privileges contributed significantly to its evolution into one of Turkey's largest holding companies. Additionally, Turkey's broader savings policies and capital structure further accelerated OYAK's development. OYAK, much like other large capital holders, determined and followed predominant savings strategies of different periods. OYAK invested in all sectors permissible to large capital investors and utilized state policies to incentivize commercial enterprise development (through credits, subsidies, exemptions, etc.), not only during the lifetime of the import substitution regime but also after the 1980s when liberal economic policies were put in place. Thanks to the oligopolistic nature of the industrial production sector in the post-1980 period, OYAK and other large corporations maintained high profit margins, with power concentrated in the automotive, cement, iron-steel, and agricultural chemicals sectors.

During the 1960-1980 period, when the net worth of OYAK increased considerably, it reaped the benefits of highly profitable protectionist policies applied as part of Turkey's import substitution strategy (ISS). OYAK invested in automotive and steel sectors that were protected by bloated customs duties, bans on imports, tax freedoms, and state subsidies. The period when OYAK took its largest leap forward was after the 1980s, when Turkey's economy followed neoliberal privatization and financial investment strategies. OYAK recorded huge gains through privatization: OYAK teamed with Sabancı's affiliate OYSA to purchase two cement factories that were privatized in 1992; OYAK partnered with GAMA Holding to buy another cement factory in 1996; after the 2001 banking crisis, it purchased Sümerbank for "a symbolic sum," in the words of OYAK's board president; and in 2005, OYAK bought one of Turkey's largest and most profitable public sector companies, Erdemir. Since 1989, Turkey experienced several episodes of financial crisis, which gradually deteriorated in 1994, 1999, 2001 and 2008 as the Turkish economy was sucked deeper into the vicious circle of financial capital accumulation. Meanwhile, and in tune with other large capital holders, OYAK and its affiliates ventured into financial investments and profited tremendously, especially from lending at high interest rates to the over-indebted state and engaging in exchange rate-interest rate arbitrage. OYAK reached the peak of its growth in the 1990s. While OYAK's average rate of profitability was 16 units between 1961 and 1980, it jumped to 100 units in the period between 1981 and 2000, and then jumped to 165 units in the period from 1990 to 2001.<sup>37</sup>

OYAK continuously pursued its own interests through neoliberal accumulation strategies, all the while describing what was essentially a process of interest maximization with references to national security and the national interest. A striking example is the sale of Erdemir to OYAK; both OYAK's administration and public opinion agreed that Erdemir was strategically important to Turkey's national security and therefore must remain in the hands of

32 Akman, 2002:4.

33 For example, please see Ruhi Sanyer, "Fight in Banking", Radikal, 30.12.2001.

34 Münir, 2001.

35 Please see the then President of OYAK Board of Directors, Retired Lieutenant General Y. Selçuk Saka's "Chat with Members October 2001" ve "Chat with Members January 2002". [http://www.oyak.com.tr/uyelerle\\_sohbet200110.html](http://www.oyak.com.tr/uyelerle_sohbet200110.html) and [http://www.oyak.com.tr/uyelerle\\_sohbet200201.html](http://www.oyak.com.tr/uyelerle_sohbet200201.html)

36 See, "Sümerbank is Oyak's", Radikal, 10.08.2001; "Oyakbank grows", Radikal, 04.09.2001; "Oyakbank targets Top Five", Radikal, 13.01.2002.

37 In Akça, 2004 and 2006 and Demir, 2005, a detailed analysis of the financial development of OYAK in terms of political economic policies and periods may be found.

national capitalholders when privatized. Consequently, when OYAK bought Erdemir, several institutions, ranging from TOBB to the Mining Union and the media, cheered.<sup>38</sup> Neoliberal capital accumulation strategies, fueled by nationalistic rhetoric, helped to realize the transfer<sup>39</sup> to OYAK of Turkey's third most profitable public enterprise, whose 2003 profits equaled the total profits recorded by 40 OYAK affiliates.<sup>40</sup> OYAK roused nationalist sentiments during the September 2005 OYAK Business Partners Meeting in Antalya when participants, wearing t-shirts in the colors of the Turkish flag, rallied against the sale of public sector enterprises of strategic importance to Turkey. Shortly afterwards, OYAK began negotiating with Arcelor, an international corporation, as a potential partner in its ventures in the iron-steel industry, and without heeding the "total de-nationalization" of Turkey's financial sector, sold Oyakbank – which was strengthened by the welcome addition of Sümerbank, an excellent bargain for OYAK – to the Dutch ING banking group for 2.7 billion US dollars (the highest price paid for a purchase of this kind ever recorded).<sup>41</sup>

## CONTROVERSIAL OUTCOMES, REPERCUSSIONS, AND RESULTS OF OYAK'S PRESENCE

Is the presence of an organization like OYAK normal or ordinary? Is OYAK a fund like any other pension fund? Shouldn't a pension fund tied to the Turkish Armed Forces be evaluated separately? Is it normal for OYAK to be the country's largest holding, unlike all other pension funds around the world? In this final subsection, we will focus on the controversial outcomes of the transformation of a military into an economic actor through a structure like OYAK.

First of all, transforming a military into an economic actor breaches the basic and time-tested principle of the separation between power-holders with guns and power-holders engaged in economic activity in modern economies. In cases when militaries step outside of their immediate universe, where they serve their core function, to act as economic actors through this or that corporate structure, the minimum requirements for democracy are not met.

A second controversial outcome is that OYAK played an important part in the transformation of military officers in Turkey into "an increasingly isolated and self-replicating community, especially after the September 12 coup until today."<sup>42</sup> In other words, thanks to OYAK (with its pension benefits, cheap housing credits, and loans) military personnel, especially officers, adopt lifestyles of those in the middle to upper-middle income brackets.<sup>43</sup> OYAK officials depict the lifestyle they promise to members as a "one house, one car" formula.<sup>44</sup> Other economic mechanisms that support the military's privileged status are also in place: Military compounds, social and recreational facilities, and housing are among those "in-kind" benefits that are available to military personnel only.<sup>45</sup> In this respect, OYAK served as a socio-economic vehicle to restore the military hierarchy, discipline, and integrity that were damaged during the 1960s and 1970s.<sup>46</sup> While the neoliberal economic and social policies of the post 1980s exacerbated poverty and attenuated deprivation of the public at large, the TAF consolidated its place in society as a privileged community. This process of consolidation strengthened the model of praetorian militarism and remains an obstacle to the normalization of Turkey's democracy.

A third outcome is the paradoxical effect OYAK has on the military. Because OYAK extends privileges to its members, it is believed to have achieved integration in the military. However, since all military personnel cannot reap the benefits of membership to an elite community equally, OYAK's effect has actually caused new divisions within the military. The sheer magnitude of the wealth that OYAK generates triggers further conflict between those who

38 For example, please see OYAK (2005); Radikal, Sabah, Milliyet, 05.10.2005; Radikal, Hürriyet, 06.10.2005.

39 This controversy is best explained in these the words of these two commentators: The mayor of Eregli said, "We were expecting Erdemir to be sold for a higher price. Instead, it was sold at scrap value. Our only consolation is that Oyak was the highest bidder." (Radikal, Sabah, Milliyet, 05.10.2005); OYAK's CEO Coşkun Ulusoy: "We will not attempt to use our pensioners' money to save the Turkish economy. However, here our members' interests overlap with Turkey's national interests." Ulusoy added that "certainly, we will not purchase an enterprise that is incurring losses; we will only evaluate the tenders we enter into for their profitability and we will allow national interests only to reconsider our limits" Hürriyet, 08.09.2005.

40 Sabah, 5-6.10.2005

41 Radikal, 20.06.2007.

42 İnsel, 2004: 45.

43 For instance, in 2004 a comparison between pension benefit payments between OYAK and the Pension Fund showed that OYAK's benefit plan paid almost 4 times more than payments made by the Pension Fund for retired generals, almost 3 times more for retired senior colonels, and almost 1,5 times more for top sergeants. Please see OYAK, 2004: 76.

44 On the first page of OYAK's 2008 Activity Report, under the institutional logo the slogan "one house, one car" is placed and OYAK's CEO Coşkun Ulusoy brags about the Fund's ability to provide for all its members the opportunity of "one house and one car... sustainably". OYAK (2008) and "OYAK grants the pensioner a house and throws in a car as a bonus", Radikal, 16.06.2009

45 İnsel, 2004: 50-51; Akay, 2009a: 124.

46 Akyaz, 2002: 382-388.

strive to share it. For instance, there have over the years been allegations raised by low-ranking officers to higher ranking officers, who control OYAK's administration, of OYAK's "operating outside of the immediate interests of its members," its "lack of social rights and services," its concentration on investing through the holding instead of focusing on service provision, and their inability to continue receiving income returns after retirement.<sup>47</sup> Another example is the criticism raised by NCOs, otherwise known as "the proletariat of the military," against OYAK. The Turkish Retired NCOs Association (TEMAD) has recently voiced its criticism against OYAK publicly, stating that even though three-fourths of OYAK members were NCOs and 55 to 60 percent of the total legal/compulsory contributions from personnel salaries to OYAK come from NCOs, they cannot benefit from the services provided by the fund. NCOs therefore demanded seats on the boards of OYAK and its affiliates. Moreover, they also complain that once they retire, their relationship with the fund ceases to exist and, as a consequence, former members cannot continue to receive dividends for OYAK's current and future profits that are only possible because of their past contributions.<sup>48</sup> The formal complaints against OYAK filed by TEMAD in civilian courts have been transferred to military courts and have not been resolved. Thus, TEMAD lodged a complaint before the ECtHR in September 2007, which was recently accepted.<sup>49</sup>

Fourth, the TAF is pulled deeper into socio-economic power relationships because of its involvement in OYAK and engages as a clear and direct counterpart in these power relations. Undoubtedly, as long as militaries are within the state apparatus, they will take sides in power relationships. However, a principle of the democratic alignment of modern political space and state structures is that militaries should not formally or visibly take part in sociopolitical and socioeconomic power relationships. If the opposite were true, then the democratic nature of socio-political space and militaries' internal structures would be harmed. Just as the intervention of the military as a political actor in political processes damages its claims of political neutrality, the presence of the military as an economic actor immersed in socio-economic relationships is equally destructive to its claim of economic neutrality. OYAK's existence means that the Turkish military is perceived as part and parcel of various divisions among corporate groups in the Turkish market. These divisions may exist between companies, sectors, small, medium, and large enterprises, and "Islamic" and "secular" capital. They may also exist between OYAK and other banking holdings.<sup>50</sup> In short, in both political and economic space, the TAF's praetorian practices debunk its claims to be "non-partisan and non-aligned in terms of class and politics." Practices that drag the TAF further into socio-political and socio-economic power relationships also have a negative effect on the military's operations and structures.

Finally, OYAK's existence has consequences for Turkey's EU accession process, which catalyzed the reform of Turkey's praetorian structure towards a more democratic and liberal military-civilian relationship. Surprisingly, not a single EU progress report mentions OYAK. In 2005, one of the EU's five core organizations, the European Economic and Social Committee (a 222-member committee representing interest groups of businessmen, laborers, farmers, and cooperatives), pointed out in a draft report to be presented in the Council of Europe's December 2004 session that oversight of military spending and OYAK were issues in urgent need of reform. However, the then-president of OYAK and of the Istanbul Chamber of Commerce, Hüsametdin Kavi, used his capacity as the Co-Chair of the EU-Turkey Joint Consultative Committee to lobby for the removal of OYAK from the draft report.<sup>51</sup> Furthermore, since 2003, OYAK has been a member of European Federation for Retirement Provision, a federation of associations of EU retirement funds. While no other EU member state would tolerate a structure like OYAK, the EU overlooked the fact that OYAK's existence is a challenge to democratic oversight and regulation of the military in Turkey; the EU's failure may either be explained by inconsistency or by the prevalence of relationships of power and interest over democratic concerns. OYAK's long-standing partnerships with Renault and the AXA Group, and the fact that Turkey is the largest importer of German defense industry (with 15 percent of total imports)<sup>52</sup> indicate that these relationships of power and interest are striking.

47 For examples please see, Akça, 2004: 264-265; 2006: 362-364.

48 For details, quotes and interviews made with TEMAD officials please see Akça, 2006: 364-367.

49 "Petty Officers and OYAK face trial at the ECtHR", Radikal, 22.03.2010. For previous developments, please see also. Radikal, 08.10.2004; Milliyet, 13.10.2005.

50 For specific examples like this, please see Akça, 2004: 251-253, 265-267; 2006: 370-374.

51 "OYAK also considered EU criterion", Referans, 19.06.2004; Serpil Yılmaz, "Europe is convinced in OYAK", Milliyet, 09.08.2004.

52 Turkish Defense Industry Report, 2008: 52

# Military Spending

The most important pillar of MUIC, which thrives in many countries around the world, is military spending. The estimated total of military spending globally is close to 1.5 trillion US dollars per year, and this figure equals 2.4 percent of gross global product. This indicates a four percent increase in military spending since 2007 and a 45 percent increase from the average military spending recorded from 1999 to 2008.<sup>53</sup> In Turkey, this pillar of the MIUC is particularly significant. A product of nationalist-militaristic national security ideologies, military spending per se presents an obstacle to democratic society and politics, and a consequence of high military spending -- the almost absolute control and influence of the military -- poses an additional problems.

Another significant outcome of Turkey's national security ideology and structure presents itself in the area of public spending. A political mentality that constructs its concept of security on the basis of securing the state militarily and maintaining law and order, instead of seeking to provide human and social security to its society, inevitably diverts its public funds to military and domestic security. The distribution of tax benefits and income are very unfair in Turkey and consequently, the repeated application since the 1980s of neoliberal economic policies has led the state to channel most of its resources to the repayment of the national debt and interest on loans, which are products of global neoliberalism. Remaining public resources are not spent on new investments and social welfare, but are poured into military and domestic security spending. Nurhan Yentürk states that "[d]espite the high levels of income disparities and poverty in the country today, the levels of military spending surpass the levels of spending on social services and social welfare."<sup>54</sup>

Ümit Cizre addresses the term "human security" and its implications in Almanac 2005:

Human security transcends the military security of the state and is directly related to the protection of the civil, political, economic, social, and cultural rights of people. In other words, human security is now seen as a natural extension of democratic governance in terms of a government's commitment to protect citizens, including minorities, from poverty, deprivation, injustice, violence, unfair treatment, and conflict. It necessitates the restructuring of the security sector with these concerns in mind.<sup>55</sup>

Consequently, a human- and society-centered democratic system is expected to utilize its public resources to overcome the problems of poverty, deprivation, injustice, etc., and where it fails to fulfill this expectation, needs to be investigated. In this section, the amount and direction of military spending will be explored and finally the issue of the lack of democratic political and social oversight mechanisms will be addressed.

## DEFINITION AND SOURCES OF MILITARY SPENDING

The first question that comes to mind when thinking about military spending is what it actually contains. From the most comprehensive studies on military spending in Turkey, one limited definition and one broad definition of military spending may be derived. Gülay Günlük Şenesen, whose publications are considered the most competent studies in this area of academic research in Turkey, defines defense spending as:

Defense spending covers the fees, deposits, and transfer costs of personnel, arms, other military equipment and ammunition, fuel, food, clothes, etc. that are required by the Ministry of Defense (and the respective Command Forces), the General Command of the Gendarmerie, and the Coast Guard Command.<sup>56</sup>

53 SIPRI, 2009: 179.

54 Yentürk, 2009: 4.

55 Cizre, 2006b: 12-13.

56 Günlük-Şenesen, 2002a: 8.



Nurhan Yentürk's work cites the broader definition of defense spending offered by SIPRI, which also includes the monies put into paramilitary troops, defense R&D, and other organizations that operate in defense research (such as the Mechanical and Chemical Industry Corporation, MKE).

The SIPRI methodology accepts the current account and investment transfers of the armed forces, ministries of defense, and other public institutions that implement defense projects (for example, the Defense Industry Support Fund) as parts of military spending. Moreover, military spending also includes spending on paramilitary troops, which are trained and armed to carry out military operations and are deployable, on military space programs, and on military research and development programs. The SIPRI definition takes into account the costs of military and civilian personnel employed in all of the abovementioned contexts; the social welfare costs undertaken by their corresponding social security organizations; the total costs of pension benefit payments, and the costs of equipment, care of, and property and service purchases made for retired personnel; and the military aid distributed to third countries. The SIPRI methodology advises that civilian defense spending ought to be registered as military spending also.<sup>57</sup>

While the broader definition of defense spending is more instrumental in widening the discourse on democratic oversight of the security sector, both definitions do posit that two fundamental indicators of military spending are budgetary and extra-budgetary resources.<sup>58</sup> The budgetary source is the item "Defense Services" in the Finance Ministry's annual budget. Before 2006, the beneficiaries of this budget item were the Ministry of Defense, the General Command of the Gendarmerie, and the Coast Guard Command. With the introduction of Law No. 5018 on Public Financial Administration and Control,<sup>59</sup> the list of beneficiaries was expanded to include public sector institutions that were not labeled as military organizations. This new law introduced a more meaningful system of military spending and yet its impact is minimal since the Ministry of Defense has the majority share – which was 99 percent in 2008 – of the budget allocated to the "Defense Services" item. On the other hand, with the new law, the budget for the General Command of the Gendarmerie and the Coast Guard Command was moved from under the "Defense Services" item to the "Public Order and Safety Services" item. Unlike their counterparts in EU member states, these two command forces continue to have a military character in Turkey. Therefore, while spending towards the needs of the gendarmerie and coast guard clearly belongs to the category of military spending, their budgetary resources are not recognized in the national budget as military spending, thereby superficially reducing the total amount of military spending in Turkey by 20.2 percent. It would be more appropriate to add the spending on gendarmerie and coast guard to Ministry of Defense spending to get a more accurate picture of military spending in Turkey.<sup>60</sup>

The main extra-budgetary resource for military spending in Turkey is the Defense Industry Support Fund (DISF) under the Directorate of Defense Industry (DDI). Article 12 of the founding law on DISF, Law No.3238 from November 7, 1985,<sup>61</sup> permits the extra-budgetary financing of arms and military equipment procurement and of military industry projects through a fund established by the law. The following sources contribute to the fund:

- The grant in aid submitted to the annual budget for this purpose (via the Directorate of Accounting at the Ministry of Finance),
- The share from income and revenues from taxes on corporations
- The funds allocated in the Ministry of Defense budget for modern arms, equipment and vehicles,
- The share of tax revenue from private consumption taxes distributed to the MoD budget,
- The share of National Lottery revenue,
- The share of national racetrack betting revenue,
- The share of national numbers games revenue,
- Transfers of funds from foundations established to support the TAF,
- Grants in aid, the size of which will be determined by the Cabinet, made from legally-established funds,
- Revenue generated from paid military service,
- Donations and aid,
- Revenue generated from the Fund's assets.

57 Yentürk, 2009: 8-9.

58 The entire list of resources for Turkey's military spending is as follows: The national budget, DISF, US defense aid, credit financing, German Bracket Aid, NATO Infrastructure Fund, Turkish defense fund, private donations, TAFF.

59 This law was ratified in 2003 to align the financial administration and control system in Turkey with the EU norms.

60 Günlük-Şenesen, 2009: 172-173.

61 Official Gazette, 07.11.1985, no. 18927. With this law, the Directorate of Defense Industry Development and Support Authority was established. Later, with Law no. 3704, dated 20.03.1991, the name of this body was changed into Undersecretariat of Defense Industry.

The fund is spent to distribute credits to finance arms production and to cover the costs of projects on industry cooperation and arms procurement and production.

An analysis of DISF's revenue reveals, for example, that in 2007, 814 million (of a net revenue of 1,256 million US dollars) corresponds to the share of income and institutions tax revenues; 186 million came from the National Lottery; 127 million was allotted from the private consumption tax revenue share in the MoD budget; 88 million was generated by the fund; and 30 million came from national racetrack betting revenues.<sup>62</sup> The total revenue of DISF between 1986 and 2008 amounted to 21.95 billion US dollars and its total expenses were worth 18.53 billion dollars.<sup>63</sup>

The decision-making organs of the DDI, which control this vast wealth of funds, are the Defense Industry Supreme Coordination Council and the Defense Industry Executive Committee. The Supreme Coordination Council convenes twice a year under the presidency of the Prime Minister and its 13 members<sup>64</sup> to plan and coordinate. The Council determines the method of arms and equipment procurement according to the Strategic Targets Plan, drafted by the Office of the Chief of the General Staff. The Executive Committee members are the Prime Minister, the Chief of the General Staff, and the Minister of Defense. The Committee decides on domestic and foreign arms and equipment procurement, gives directives to the DDI on advance payments and subsidies, and establishes the principles for allocating the DSIF.

According to the data provided by Günay Günlük-Şenesen,<sup>65</sup> from 1987 to 2000, 86 percent of Turkey's military spending was budgetary and close to 14 percent was supported by the DSIF. Taking into account the spending on military equipment procurement, the DSIF contribution becomes even more visible. Again, in the same period, 26.7 percent of Turkey's total military spending (budgetary and extra-budgetary) went into military equipment procurement. Fifty-four percent of spending on military equipment procurement and development was covered by the budget and the remaining 44 percent by the DSIF.<sup>66</sup>

#### SIZE AND DIRECTION OF MILITARY SPENDING

Scholars agree that the failure of institutions to systematically release transparent information about military spending, and the significant share of extra-budgetary sources in it, complicate the process of collecting data on the size and direction of military spending. On the other hand, recent studies in the field and international databases provide excellent opportunities to track the size and course of military spending in Turkey. While international organizations, primarily NATO, and research organizations working on pertinent issues (like SIPRI) publish official figures on Turkey's military spending annually on their websites, Turkish officials are engaged in a contradictory effort to hide this information from the Turkish media and public. This reflects the Turkish military's "use of symbolic power"<sup>67</sup> and its inability to feel responsible towards society, combined with its resistance to building a relationship of accountability with society.

It would be useful to begin showcasing the size of Turkey's military spending by locating some general trends in the values and direction of military expenditures over the years.<sup>68</sup> Total military spending between 1988 and 2000 (budget + DISF + TAFF) fared around 5.28 billion US dollars annually. From 1990 until 2000, Turkey's military spending totaled between five and eight billion dollars each year, and Turkey spent one to two billion dollars annually on military equipment procurement.<sup>69</sup> If our analysis were to include the fluctuations in the economy at the time, then we may conclude that military spending, measured in US dollars, increased more than fourfold between 1988 and 1999. A brief drop in 1994 due to an economic crisis did not interrupt the upward trend in military spending. Similarly, the massive banking and financial crisis of 2001 caused a major drop in military spending that

62 DDI, 2007: 40. For a breakdown of the total revenue of DISF between the years 1986 and 2000, please see Günlük-Şenesen, 2002a: 47.

63 For data on DISF total revenue and spending between 1986 and 2008, please see SSM, 2008: 39.

64 The members of the Council are prime minister, chief of staff, state minister in charge of economic affairs, minister of defense, minister of foreign affairs, minister of finance and customs, minister of industry and trade, commanders-in-chief, commander of the gendarmerie, undersecretary of the prime minister, undersecretary of State Planning Organization, and undersecretaries of treasury and foreign trade.

65 Günlük-Şenesen, 2002a: 37.

66 Ibid. 73, 76.

67 İnsel, 2004: 47.

68 For the most systematic presentation of military spending in Turkey after 1980 please see Günlük-Şenesen, 2002a; 2004a; 2009. Also, for a comprehensive study on military expenditures between 2006 and 2008 and details on the 2009 figures and 2010-2011 estimates, please see Yentürk, 2009.

69 Günlük-Şenesen, 2002a: 76, 82.

year, although the upward trend continued in 2002.<sup>70</sup> After the 2001 crisis broke, TAF officials announced the suspension of some arms procurement and production projects. However, the suspension never materialized and arms procurement and production returned to normal shortly afterwards.<sup>71</sup> As a result, in 2002, budgetary expenses alone were twice as high as the level of spending in 1980.<sup>72</sup> Spending on military equipment in 1999 was 5.7 times more than the total spending in 1987.<sup>73</sup>

In the 2000s, a consistent and regular rise is observed even when only the figures for defense spending from budgetary sources (excluding DISF spending) are considered. Military spending increased regularly over the years from 5.24 million US dollars in 2001 to 13.52 million US dollars in 2008. The upward trend, in US dollar values, in military spending may be attributed in part to the monetary policy decision to maintain an overvalued YTL. In contrast, the figures in YTL – where the currency is adjusted to inflation – show a downward trend after 2002. However, the rises and falls in defense spending in YTL were recorded over a considerably narrow time range. To sum up, the average total of military spending between 1998 and 2008 was 1.8 billion YTL. Spending hovered above this value before 2002 and fell below it after 2002. Yet the 2008 total is close to 1.7 billion dollars, therefore the difference between the average and the total spending recorded after the fall in spending is not high enough to overrule the trend of high defense spending. The reduction in the number of military personnel led to a fall in personnel costs and hence explains part of the decline in defense spending. Spending on military equipment rose persistently between 1998 and 2003, experienced a minor fall from 2004 to 2005, and then continued to rise again after 2005. With the YTL's appreciation in 2005, there was a decision not to cut back on arms procurement.<sup>74</sup> Additionally, the DISF spent from 2000 to 2008 was 9.54 million dollars, most of which<sup>75</sup> was channeled into arms procurement and production; thus, the fall in budgetary military spending in times of economic crisis in the 2000s was compensated by extra-budgetary military spending.

The perception that military spending is on the rise becomes more convincing when we consider how the above figures for military spending in the 2000s do not include the expenditures of DISF and other institutions. Nurhan Yentürk<sup>76</sup> shows in her recent study on military spending, which includes extra-budgetary expenditures, that between 2006 and 2009, total military spending increased from roughly 16 billion in 2006 to 20.5 billion in 2009<sup>77</sup> Similarly Lale Sariibrahimoğlu insists that military spending is on the rise, if all sources of military expenditures are taken into account, and that the area where the majority of public resources are diverted is defense.<sup>78</sup>

The data on military budget and expenditures become more meaningful when compared with larger and more substantial budgets. First of all, it may be useful to locate the budgetary military spending within the national budget. From 1980 to 2000, the percentage of military spending in the consolidated annual budget gradually decreased, from 17.2 percent in 1980, to 13.5 percent in 1992, and to 7.9 percent in 2001. It rises briefly in 2005 to 8.7 percent, and then continues to fall, reaching 7.5 percent in 2008. However, taking into consideration the fact that a majority of budgetary sources are spent to pay off interest on the debt, it would be more sensible and realistic to observe the distribution of public resources after the debt repayment is realized. In other words, the primary budget (which reveals the amount of public funds after the interest payment is deducted) is a better source of information than the consolidated budget. According to the primary budget, military spending percentages were 17.7 percent in 1980, 16.5 percent in 1992, and 16.2 percent in 2001. It remained at 16.5 percent between 1980 and 2001, despite several economic crises. After 2002, the share of military spending in the primary budget dropped to around 10 or 11 percent.<sup>79</sup> It must be noted, though, that extra-budgetary spending is not included in the above calculations.

70 Günlük-Şenesen, 2002a: 75-79.

71 Please see, "Savings Reach 23 Quadrillion", *Milliyet*, 12.04.2001; "Turkish Armed Forces Defense Spending", Office of the Chief of Staff Memo 16.03.2001 and 11.04.2001, <http://www.tsk.mil.tr>. Yet four months later, the serving Prime Minister Bülent Ecevit announced that suspended military projects were to resume in 2002. Please see, "Morale Boost to the Soldiers", *Radikal*, 02.08.2001.

72 Günlük-Şenesen, 2004: 272-273.

73 Günlük-Şenesen, 2002a: 79.

74 Günlük-Şenesen, 2009: 173-175.

75 Lale Sariibrahimoğlu (2006: 62) states that almost 90% of DDI sources were used for arms procurement and military projects.

76 Yentürk, 2009: 29.

77 The figures for total military spending in 2006-2008 reflect actual spending whereas the figure for 2009 show the estimated spending, which is passed in parliament and codified.

78 For example, please see Sariibrahimoğlu, 2006.

79 For data used here, please see Günlük-Şenesen (2002a; 2002b; 2009).

Second, the rate of military spending to the gross domestic product (GDP) may be analyzed. Gülay Günlük-Şenesen asserts that “the rate of military spending to GDP was 2.3 percent in 1998; increased to 2.7 percent in the 1999-2002 period; and fell to 1.7 percent in 2007.”<sup>80</sup> NATO figures document that the rate of military spending to GDP in 2004 was 2.4 percent and in 2008, the rate regressed to 1.8 percent. When this rate is compared with other NATO member states during the same period, Turkey’s average of 2.1 percent military spending/GDP surpasses the NATO-European average of 1.8 percent and falls behind the NATO-USA average of 3.8 percent. The figures from 2007 indicate that the countries with a higher rate of military spending over GDP are the USA, Bulgaria, United Kingdom, France, and Greece.<sup>81</sup>

In fact, Turkey’s military spending compared to its national budget and GDP decreased during the 2000s; however, Turkey remains in the league of big spenders. The reductions in military spending recorded since the turn of the millennium are proportional and not nominal; they correlated both to the growth in Turkey’s national budget and to the increase in its GDP. Another important point here is that the policy of maintaining an over-appreciated, low-rate YTL worked to Turkey’s advantage in the area of military spending. “The value in US dollars of defense spending after 1998 increased vis-à-vis the appreciation of the YTL.... Following the 2001 crisis, the purchasing power in US dollars of defense spending recorded a noticeable rise and [at the end of this period] reached twice the purchasing power recorded in 2003.”<sup>82</sup> From this perspective, the 2000s are a period when the demands of the TAF, which single-handedly determines military spending in Turkey, were met.

Third, comparing military spending and social welfare spending provides an insight into the use of public resources in Turkey. Different sources contain diverse analyses on this subject. For example, Gülay Günlük-Şenesen ran an econometric analysis based on the distribution of budgetary resources from 1980 to 2000, in which she compared military spending with other areas of public spending (education, health, and general services) and found that increased military spending did not have a negative impact on other public spending.<sup>83</sup> In other words, an increase or decrease in military spending did not yield an increase or decrease in other areas of public spending. By looking at the allocation of budgetary resources, researchers observed that the amount of funds put into education has been higher than the funds allotted to defense since 1988. Yıldırım and Sezgin confirmed that there was not a negative correlation between military spending and spending on education, though they asserted that military spending and spending on healthcare are inversely related.<sup>84</sup> Nurhan Yentürk, whose calculations on defense spending include both budgetary and extra-budgetary resources, compared defense spending over GDP with other areas of public spending over GDP to show that the years when military spending was lower than spending on education were 1992-1993 and 2003-2009.<sup>85</sup> Similarly, spending on healthcare was slightly higher than military spending between 2002 and 2009.

Comparing the 2004-2005 data from Turkey with data from other countries in the same period shows that Turkey’s public spending on healthcare (the ratio of spending to GDP) is close to the OECD average; however, Turkey ranks the lowest among OECD countries in healthcare spending rated according to purchasing power parity. Based on the total of social welfare spending (the ratio of spending to GDP) Turkey ranks third to last, above Korea and Mexico. Turkey ranks in the lowest five of 33 European countries in public spending on education (the ratio of spending to GDP). Though a slight increase in social care, education, and healthcare spending over GDP was recorded the period between 2001 and 2009, it was not a substantial increase.<sup>86</sup>

Here, we will transition from quantitative to qualitative analysis (regarding the provision of basic social policy services) and take a fresh look at the key issues in the report through a public-political perspective. Although in recent years, a rise in public spending on education, and to a lesser extent on healthcare, was recorded, this development did not occur at the expense of military spending and the rise in public spending in education and healthcare could not remedy the damage that two decades of neoliberal policies since the 1980s inflicted on these two areas of public service.

80 Günlük-Şenesen, 2009: 174.

81 For data used here, please see Akay, 2009: 162 and Yentürk, 2009: 32.

82 Günlük-Şenesen, 2009: 174.

83 Günlük-Şenesen, 2002b; 2002a: 31.

84 Yıldırım ve Sezgin, 2002.

85 Yentürk, 2009: 37.

86 Kurt Topuz, 2009.

Yıldırım and Sezgin's comment is significant in this respect:

It seems that when governments allocate their budgets, their main concern does not lie in distributing resources across three main components of the budget [defense, education, healthcare]. Their basic impulse is first to respond to the needs of the military and then allocate the rest of the resources into education and healthcare.<sup>87</sup>

Which segments of society finance public spending on defense is another important question to consider when determining the social consequences of high military spending. Answering this question requires exploring the sources of budgetary and extra-budgetary funds for military spending and the nature of the tax regime. Though there are not many detailed studies linking these two elements, it would not be wrong to argue that indirect taxes, which include taxes on direct consumption and income and institutions taxes, carry more weight in terms of determining the size of budgetary and extra-budgetary military spending. When the income generated by the institutions tax was low in Turkey, the total tax income generated through tax deductions on fixed-salary workers was high. Moreover, indirect taxes are extremely high in Turkey: The share of indirect tax earnings as a part of total tax income was 38.4 percent in 1993 and rose to 68.6 percent in 2002.<sup>88</sup> Evidently, the financing of military spending from tax income by indirect taxes affects large sections of the society, primarily middle- and low-income groups.

Finally, the impact of military spending on macro-economic stability is an important issue for public-political concerns. The basic question is to what extent Turkey's budget deficit, current accounts deficit, and foreign debt can be explained by high military spending. Affirmative responses to this question imply that military spending was very influential in producing economic instability and the economy's almost constant state of crisis throughout the 1980s. However, statistical analysis addressing these questions posits that an econometric relationship cannot be detected between military spending as a primary precursor of budget and current accounts deficit and foreign debt.<sup>89</sup>

Undoubtedly, Turkey's chronic macro-economic instability is a result of post-1980 neoliberal economic policies.<sup>90</sup> However, it is also clear that in an economy, mired by debt and instability, and with no oversight of military spending, high military spending affects macro-economic instability. Approaching the issue from a public-political perspective, we can claim that diverting the public funds spent on defense into social needs and into restoring macro-economic stability would have a positive effect on social and economic life. Two examples help to demonstrate this effect: By 2003, Turkey's total public debt was 160 billion US dollars (85-85 percent of GDP), the total military spending between 1980 and 2000 was 111 billion US dollars, and the total spending on military equipment procurement in the same period was 25 billion dollars. The ratio of military spending to debt repayment was 51.9 percent during the same period and the ratio of spending on military equipment to debt repayment was 14.9 percent.<sup>91</sup> The average annual spending that Turkey made on military equipment purchases between 1988 and 1999 amounts to 1.3 billion dollars, and this amount equals the total loan provided to Turkey by the World Bank in April 2002 to assist Turkey's recovery after the 2001 crisis. The average annual military spending Turkey made in this period was 1.5 to 2 times the 4 billion dollars provided by the IMF as stand-by credit for a three-year period.<sup>92</sup>

A study addressing Turkey's high rates of military spending in the post-1980s ought to emphasize that it was partly due to the "low intensity warfare" carried out by Turkish security forces against the PKK. Research<sup>93</sup> asserting that the cost of this war has a decisive effect on the public deficit and debt needs to be developed further in follow up studies. For instance, Nazım Ekinci<sup>94</sup> and Günlük-Şenesen<sup>95</sup> showed the periodic impact of war expenditures by studying the relationship between the increasing arms trade in 1992-1993 and public debt and the 1994 financial crisis. This research needs to be taken as a serious reminder that war has an undeniably powerful impact on social, political, cultural instability as well as economic instability and financial crises. This impact is not publicly acknowledged partly because society is systematically misinformed about the costs of "low intensity warfare." In

87 Yıldırım and Sezgin, 2002: 577.

88 Sönmez, 2002: 56, 62-65. A calculation based on the data provided by the Ministry of Finance for the first 4 months of 2001 yields a rate of 67.8%. <http://www.internethaber.com/dolayli-vergiler-dudak-ucuklatiyor-253365h.htm> (Accessed 02.06.2010).

89 On this issues, please see Günlük-Şenesen (2002a; 2004b), Sezgin (2004)

90 Yeldan, 2001.

91 Günlük-Şenesen, 2002a: 76, 84.

92 Günlük-Şenesen, 2002a: 82.

93 For example, see Doğan (1998), Başkaya and Leventoğlu (1999), Sönmez (2001).

94 Ekinci, 1998: 21-25.

95 Günlük-Şenesen, 1995: 80.

this report, we will go only as far as quoting two significant statements on the costs of low intensity warfare that portray the gravity of the situation. According to an article published in Radikal daily in 1999, “authorities announce that the cost of terrorism to Turkey ranges between 65 and 100 billion dollars.”<sup>96</sup> In July 2008, the Government Spokesperson, Vice Prime Minister Cemil Çiçek, revealed that the cost of terrorism to Turkey in the last 25 years exceeded 300 billion dollars.<sup>97</sup>

## OVERSIGHT OF MILITARY SPENDING

One of the key areas of contention in military spending is determining who authorizes military spending and ascertaining whether there are civilian mechanisms of political and social oversight. Oversight of military spending must be analyzed at each of its three layers: legislative (Turkish Grand National Assembly), executive (the government and Ministry of Defense), and judicial (Court of Accounts). To fully understand the level of democratic oversight of the security sector, democratic popular organizations and/or civil society organizations must also be included in this analysis.<sup>98</sup>

The budget of the MoD, which is a part of the national budget, is open to legal inspection/audit; however, in practice neither the TGNA Planning and Budgetary Commission nor the TGNA General Assembly are able to really supervise military spending and are therefore engaged in a heated debate over the issue of oversight. This situation is not due to the current administration, but has been a persistent phenomenon in Turkey. During the proceedings on the defense budget in the TGNA General Assembly, representatives of political parties in parliament employ populist rhetoric and refer to “the necessity of a strong military for the nation’s domestic and foreign security” and “the urgency to reserve the required funds to modernize the Turkish nation’s army at all costs.” They collectively fail to provide the assembly with genuine analysis and criticism.<sup>99</sup> Nezir Akyeşilmen, who gives a participant’s account of the arguments made by AKP, CHP and MHP MPs during the negotiations on the MoD’s 2008 budget that occurred on November 2, 2007, states that “it is difficult to tell the government and the opposition apart when they are discussing the MoD budget.”<sup>100</sup> On top of that, while under normal circumstances the proceedings of the Planning and Budgetary discussions are made publicly available, the sessions dealing with the MoD budget are closed.<sup>101</sup>

Another institution that is crucial to parliamentary oversight of military spending is the National Defense Commission (NDC). The NDC is one of the permanent expert commissions recognized by Article 20 of the TGNA Rules of Procedure.<sup>102</sup> However the commission is not authorized to determine the defense budget, arms procurement, and the NSPD; its only mandate is to observe the draft laws submitted by the Presidency of the TGNA. The MoD does not consult the NDC when drafting the annual defense budget.<sup>103</sup> The 25-member commission includes 16 representatives from the AKP, five from the CHP, three from the MHP, and one from the BDP. The NDC, an institution without authority, violates the TGNA Private Statute by omitting recordkeeping and neither the opposition nor the government objects to its non-compliance.<sup>104</sup>

Ahmet Yıldız confirms that “Whereas in many democratic countries, the parliament reviews and/or ratifies major arms procurement projects, the TGNA does not have this authority.... The parliament cannot exercise its power over determining the share of funds allocated to arms procurement and it is also impossible to submit to the parliament for ratification arms procurement projects that are above a certain value.”<sup>105</sup> The reluctance of the TGNA and the government to check military spending was demonstrated in 2003, when, after the TGNA’s Corruption Investigation Commission opened an inquiry into allegations that early warning and control aircraft procurement contracts cost the state 180 million dollars in losses, the inquiry was finalized without an actual result and an order for four planes was nevertheless authorized.<sup>106</sup>

96 “High Costs of Terrorism”, Radikal, 18.02.1999.

97 “Çiçek: PKK Caused 300 Billion Dollars Worth of Damage to the Country in 25 Years”, Sabah, 21.07.2008.

98 For an excellent source on parliamentary oversight of the security sector, its basic principles, mechanisms and application, see PAB ve DCAF (2004).

99 Yıldız, 2006: 14-157; Sanıbrahimoğlu, 2006: 61. For a long-term analysis on this issue, please see Ministry of Finance of the Republic of Turkey, 1993: 27-86.

100 Akyeşilmen, 2009: 16-17.

101 Sanıbrahimoğlu (2006: 61); Murat Yetkin, “Authority to Military Spending and Court of Accounts Oversight also to be Introduced”, Radikal, 18.06.2003.

102 Yıldız, 2006: 14.

103 Yıldız, 2006: 15.

104 Akyeşilmen, 2009: 17.

105 Yıldız, 2006: 15, 21.

106 Sanıbrahimoğlu, 2006: 54.

Other mechanisms of parliamentary oversight are written and oral parliamentary inquiry, general debate, interpellation (or parliamentary questioning), and parliamentary investigation. Yet TGNA has had no practical experience controlling military spending through these mechanisms. There were no motions to question military spending in the parliament in 2004.<sup>107</sup> Between October 1, 2005 and January 1, 2009, six of the 45 written motions on security and two of the four verbal inquiries into security had to do with the TAF. Only one of the total of eight written motions submitted to the TGNA on January 23, 2006 by ANAP Istanbul MP Emin Şirin featured “full parliamentary oversight of military spending.” However, Şirin’s submission was not addressed within the time limit it was assigned and remained one of many unresolved motions.<sup>108</sup> There were no oral or written motions into defense spending between January 2009 and June 2010.

The second layer in oversight of military expenditures is the executive. Ali Bayramoğlu observes a “distortion in the relationship between authority and responsibility” in Turkey because over time, through the granting of executive powers to the NSC and Office of the Chief of the General Staff, a military executive was created in addition to the civilian executive. Moreover, the Office of the Chief of the General Staff was tied— except for a short period between 1949 and 1960 – to the Prime Ministry, not the Ministry of Defense.<sup>109</sup> Accordingly, the Turkish political system was characterized by a Minister of Defense that “does not have political authority but bears the responsibility of the political authority that it does not have” and an Office of the Chief of the General Staff which “is exempted from the responsibilities attached to the powers it is given.”<sup>110</sup> The founding statute of the Ministry of Defense states in section on distribution of roles across institutions/persons that the Office of the Chief of the General Staff is mandated to determine the principles, priorities, and programs of national defense policies and that the ministry is mandated to arbitrate and assist in the provision of funds by the government to the Chief of the General Staff in matters of national defense.<sup>111</sup> Again, in the words of Ali Bayramoğlu, “the Ministry, on the other hand, acts as a ‘buffer’ between the TGNA and the Armed Forces, effectively blocking the supervision and administration by the former of the latter, and conversely enabling the Armed Forces to utilize its broader-than-defined authority to intervene more forcefully into the political arena.”<sup>112</sup>

The response given by Zeki Yavuztürk, a former Minister of Defense, to Neşe Düzel in an interview in 2005 when she implored about the defense budget is very telling:

As a Minister of Defense, you are authorized to act as a signatory but you do not know where the funds will go. When you ask to know why the amount is that high, you are given an official response. In order to be able to comprehend what the official response means, you will need civilian personnel that will be able to work together with military personnel. Yet, the minister does not have a cadre of civilian personnel that can provide this type of service. All MoD experts are soldiers. Now, the institution in charge of security provision tells us “This is what I need.” I cannot step up as a minister alone and say “why is what you’re asking for so pricy?” I don’t know. How can I make a claim for which I do not possess the necessary background knowledge? [At the TGNA] we defend the figures. After a while, you begin to trust [the military]. Besides, this is a security matter and perhaps one does not need to know a great deal more than one should.<sup>113</sup>

An article published in Taraf newspaper quotes acting Minister of Defense Vecdi Gönül:

Gönül underlined that military spending is overseen by Court of Accounts and by the parliament and said, “the role of the TGNA is not simply to legislate but also to use its authority over budgeting. Unfortunately, this authority is not utilized appropriately.” According to Gönül, parliamentarians should be more actively engaged in overseeing the budget and they need to serve the goal of adopting European standards in terms of transparency and accountability in military spending.<sup>114</sup>

107 Yıldız, 2006: 18-20.

108 Akyeşilmen, 2009: 18-19.

109 On the dual structure of the executive, please see. Cizre Sakallıoğlu, 1997; Çelik, 2008. For the powers and positioning of the executive in security matters, please see Erdal, 2009.

110 Bayramoğlu, 2004: 69.

111 Erdal, 2009: 26-27.

112 Bayramoğlu, 2004: 69.

113 Neşe Düzel, “The Minister Does not Know About Military Spending”, Radikal, 20.06.2005.

114 “Defense Industry Fund to be Audited by Court of Accounts”, Taraf, 23.08.2008.

These views disclose the powerlessness of the TGNA and ministries when it comes to military spending. There is no doubt that militarism is the primary reason why the TAF has absolute control over decision-making, supervision, and application of military spending. Factors that exacerbate the problem are the unequal distribution of know-how and expertise on defense spending between military and civilian public servants, the failure of civilians to develop expertise, and the lack of political will necessary to amend the current situation.<sup>115</sup>

The Court of Accounts (CoA) is an institution that is central to the parliamentary and judicial oversight of all public spending. The first clause of Article 127 of the 1961 Constitution states that the Court of Accounts is authorized to audit all institutions that spend public funds, without exception. However, following the military coups of March 12, 1971 and September 12, 1980, their leadership banned the auditing of military assets and spending. Under the transitional government of the 1971 coup leadership, a constitutional amendment to Article 127 (which was passed a week after the coup) introduced the condition that “audits are legislated according to the principles of secrecy required by the national security services.” Parallel to this amendment, Article 38 of the Law on the Court of Accounts was changed to introduce a new practice whereby the Ministries of Defense and Finance were authorized to consult the Court of Accounts and to enact, based on the CoA’s advice, new legislation to oversee and audit military personnel and equipment. The 1982 Constitution, composed by the leadership of the September 12 junta, preserved the principle of “secrecy” in oversight of military expenditures through its Article 160. In 1985, amendment 3162 was made to Article 30 of the Law on the Court of Accounts, exempting arms procurement and contracts from the requirement that all forms of public procurement had to be audited and permitted officially by the CoA. In other words, arms procurement and contracts were exempted from the CoA’s jurisdiction. In addition, the DISF established in 1985 was also exempted from the CoA’s oversight through a change in regulation introduced to Article 11 of the Law on the Court of Accounts.<sup>116</sup>

This situation, which prevents the CoA from auditing military assets, persisted until recently, when EU accession reforms ushered in some changes. The defense budget was mentioned for the first time in the accession negotiations process in the 2002 Progress Report, where the European Commission highlighted the TAF’s autonomy in drafting the defense budget and the total amount of funds appropriated for military purposes. In response to this criticism, a clause (no.12) was added to the Law on the Court of Accounts authorizing the MoD to audit TAF assets, after consulting with the Chief of the General Staff and the Court of Accounts, and the terms of the audit would be established by “secret” regulation passed by the cabinet.<sup>117</sup> From 2003 onwards, the Progress Reports on Turkey’s accession systematically contained the Commission’s evaluations of the obstacles to the Court of Accounts’ oversight and the Commission’s calls for including the entire array of military funds in the national budget. Progress reports also noted the failure to introduce the legal changes required to implement the May 7, 2004 constitutional amendment lifting Article 160’s last clause.<sup>118</sup>

Significant progress in this area was recently achieved when Article 11 of the Law on DDI was changed to lift the DISF exemption from the jurisdiction of the Court of Accounts. However, the draft bill to abolish the related regulations in practice is still pending ratification. News articles suggested that the draft bill will be ratified in 2010 and that the Court of Accounts will be authorized to carry out financial and performance evaluations. Yet news stories alleged that the Chief of Staff opposed the new regulation on the grounds that security, intelligence, and economic productivity could not be considered pertinent criteria for financial/performance evaluation and that external experts must not oversee the TAF via the Court of Accounts.<sup>119</sup> As a result, military assets and spending still cannot be audited by the Court of Accounts. For an effective and practical oversight mechanism to function, Şerif Sayın warns, legal changes need to be complemented with the TGNA’s strong political support for democratic oversight of military spending.<sup>120</sup>

115 TESEV in a few of its past studies explored and publicized the issues of parliamentary oversight and control of military standing, what the obstacles are and what may be done for improvement. On this issue please see especially PAB and DCAF (2004), Yıldız (2006), Sariibrahimoğlu (2006), Akyeşilmen (2009), Karakaş (2009).

116 Please see Bayramoğlu, 2004: 80-81, 85-86; Özdemir, 1989: 229-230; Akyeşilmen, 2009: 15.

117 Yıldız, 2006: 14; Sariibrahimoğlu, 2006: 54; Akyeşilmen, 2009: 15.

118 Akay, 2009b:83-85.

119 “TAF Accounts to be Audited”, Radikal, 29.01.2010; “Military Opposition to Court of Accounts Oversight”, Radikal, 11.03.2010.

120 Şerif Sayın, “Is the Military Justified in Its Opposition to Court of Accounts Law?”, Radikal, 16.03.2010.



# Military Industry or Militarization of Industry

Unlike advanced capitalist countries, the historical evolution of Turkey's military-financial and/or military-industrial structure followed a trajectory that began with investments from military holdings and expanded in after 1980 into a classical model of the military-industrial complex. This period was also marked by high rates of military spending combined with the fast-paced development of military industry. Yet, similar to the case of military spending, the TAF enjoyed absolute control over military tenders, procurement, and projects. The presence of the military as a capitalist collective also affected the military-industrial environment, and consequently a military foundation (TAFF) emerged as the leading actor in the sector, alongside other smaller, private companies.

Serious steps taken to construct a local military industry were triggered by the application to economic life of a national security concept and ideology, encompassing cultural, political, technological, and economic spheres. The TAF maintains the monopoly, or at least the sovereignty, over establishing the concept, institutions, and politics of "national security" and it has the final say in a wide range of issues, from analyzing threats to gauging the military's needs. The political authorities in turn responded to the TAF with messages of goodwill and support – just as they do in the area of military spending. A recent example is provided in the program of the 60<sup>th</sup> government (AKP) in the section on security:

On par with Atatürk's principle of "peace at home, peace in the world" and in recognition of our country's history and strategic position, it has been our long-standing policy to have a strong system of national defense. Accordingly, we have endeavored to strengthen our national defense industry and to prioritize quickly responding to the needs of the Turkish Armed Forces. During this period, several new projects to modernize the Turkish Armed Forces were activated. With new projects in our defense industry, we are proud to have increased Turkish industry's share in designing and producing defense equipment. This administration's efforts helped Turkey double its share of providing the defense needs of the Armed Forces from 25 percent in 2002 to almost 50 percent today.... Thanks to its strong military and defense industry, Turkey assumed key roles in organizations such as NATO, EU and UN, to assist peacekeeping and security provision missions in many countries during our term in office.

Our main goal has been to demonstrate Turkey's power under any circumstance and in any geographical location and to create a defense system and force that can carry out conventional and asymmetrical warfare, and has deterrence, survival, and combat capacities. We will continue to honor this goal. By following technological developments in the world, we will endeavor to expand our defense industry by modern methods to respond to the priorities and needs of our country and the Turkish Armed Forces, and in doing so, we will reduce our dependence on the outside world.<sup>121</sup>

The desire to develop Turkey's military industry date back to the early years of the Republic, though Turkey's ambitions to develop an authentic arms industry were reinvigorated after the Cyprus invasion of 1974 and the subsequent US embargo. Accordingly, foundations to support and develop land, air, and naval forces were established, and corporations such as Aselsan, Tusaş, İşbir and Havelsan were institutionalized within these foundations. Yet, this initiative fell short of fulfilling Turkey's ambitions because of the negative impact of the economic crisis. The development of military industry accelerated with the announcement of the "Armed Forces modernization project" in 1985 and this project was estimated to cost 12 billion dollars in the decade following its launch. It was reformulated in 1996 to cost 150 billion dollars over the next 30 years, and finally, in 2000, it was tasked with spending 20 billion in the following ten years. At the end of the modernization project, the amount of budgetary funds put into the realization of this project increased markedly, especially after 1988.<sup>122</sup> The most important pillars of the modernization project were to purchase advanced artillery and to expand domestic production's share in military industry.

<sup>121</sup> Quoted in Bayramoğlu and İnsel, 2009: 29.

<sup>122</sup> Günlük-Şenesen, 2004c: 144.

The TAF's equipment and arms modernization project was financed through the defense budget and the DISF. In 1985 the department that was later named DDI and the DISF were founded, respectively, to develop the domestic military industry and to finance this development through utilizing extra-budgetary resources which were not bound by the codes governing the national budget. From this date onwards DISF funds were channeled predominantly into arms production and procurement. For instance, in 2007, 1.1 million out of 1.2 million dollars worth of military spending recorded in the DISF was project financing.<sup>123</sup> Considering the vast share of resources invested in military industrial projects and the fact that DISF expenditures totaled 18 billion 533 million dollars<sup>124</sup> between 1986 and 2008, it becomes clear that almost all of the extra-budgetary funds provided by the DISF are spent on the construction of the military industry. Murad Bayar, the Undersecretary of DDI, announced that DDI carried out 80 percent of all projected arms procurement and that this percentage is expected to rise to a full 100 percent in the coming years.<sup>125</sup>

In the 2000s, the military modernization project was believed to have led to "partnerships with foreign capital, imports, and indebtedness."<sup>126</sup> Hence, in 2004 Turkey adopted a new model to reduce its dependency on foreign contractors, with which Turkey previously partnered in arms production, by 50 percent and to produce weapons domestically. Consequently, in 2005 DDI signed contracts worth one billion dollars with over 100 domestic companies, including 15 affiliates of TAFF.<sup>127</sup> The latest data available shows that at the end of 2008, 83 supply contracts signed between DDI and domestic contractors are worth 23,772,271,763 TL and the total worth of 111 contracts out of a total of 172 projects implemented by DDI is 23,992,364,682 TL.<sup>128</sup> However as Lale Sariibrahimoğlu points out while domestic production is on the rise American companies especially remain key actors in the military industrial sector, and so we should be wary of hypothesizing on the increase in the presence of domestic companies.<sup>129</sup>

The result of these investments was a growing self-sufficiency in providing for defense needs and an expanding military-industrial sector. Whereas in 2003, the rate of self-sufficiency was 25 percent, it rose to 36.7 percent in 2006, to 41.6 percent in 2007, and to 44.2 percent in 2008. The target set for 2010 is 50 percent. In 2004, the total revenue of the sector was 1.3 million dollars and this figure almost doubled to 2.3 million in 2008. The DDI Strategic Plan predicts 2011 revenue will be 3 billion dollars.<sup>130</sup>

The distribution of vast resources to military spending and military industry opened this sector to the use of Turkish capitalists as a source of investment, revenue, and profits. A consequence of this was the proliferation of companies and interest groups in this sector. The Association of Defense Industry Producers (SASAD) had only 21 members in 1991, but its membership grew to 61 in 2002 and 83 in 2010. Another interest group operating in this sector is the Defense Industry Association (SADER), which was founded in 1999 and has seven wholly domestically-owned companies that are affiliated with the TAFF.

Companies that operate in Turkey's military industry and enter into defense procurement tenders are large corporations, such as Mercedes-Benz, MAN, STFA-Savronik, Alarko Holding, Otokar (Koç Holding), KOÇ Bilgi ve Savunma Teknolojileri, BMC (Çukurova Holding), TEMSA (Sabanc Holding), FNSS (Nurol Holding), Nurol Teknoloji, VESTEL Savunma, OYTEK (OYAK Teknoloji), Kale Holding, NETAŞ, Siemens, and Yakupoğlu Deri Ticaret A.Ş.,<sup>131</sup> which entered the sector to grasp their share in the profits. This trend within Turkey's capitalist class was a source of motivation for business interest groups such as TOBB and TUSIAD to establish "Defense Industry Working Groups" within their organizations. When we analyze the current distribution of revenues in Turkey's defense industry, we find that 36 percent of revenue is generated by private companies, 33 percent by TAFF affiliates, and 31 percent by public sector companies.<sup>132</sup> This distribution reveals that the military industry, which absorbs massive resources, is a significant market for capitalist enterprises in Turkey and their partners and a market where the military wants to exercise control over production processes via TAFF.

123 Günlük-Şenesen, 2009:177.

124 DDI, 2008:39.

125 Sariibrahimoğlu, 2009:182.

126 Günlük-Şenesen, 2004c: 124.

127 Sariibrahimoğlu, 2009:181-182.

128 DDI, 2008: 56-57. For a full list of projects implemented and signed and unsigned by DDI, please see DDI, 2008: 62-80.

129 Sariibrahimoğlu, 2009: 181-182.

130 DDI, 2008: 80, 32, 78.

131 For a full list of SASAD members, please see. <http://www.sasad.org.tr/uyelera.asp>, Accessed 01.06.2010.

132 Turkish Defense Industry Report 2008: 31.

Data on the total revenue of military industrial corporations, the distribution of profits across these corporations, and private companies' and holdings' shares of the revenues and profits of military industrial activities are not available in Turkey, therefore it is impossible to locate the military industry within the corporate sector, in terms of these companies' accumulation strategies. However, we may deduce that large corporations were attracted to the military industrial sector because they could guarantee savings in this sector, which usually operates on a costs-plus-profits mentality. The production industry's share of total fixed investments in Turkey has consistently fallen since the 1980s – both in the private and in the public sector. The decline in the public sector is dramatic, falling from 11.7 percent between 1983 and 1987 to 3.5 percent in 1999.<sup>133</sup> The large investment in the arms industry, despite the drastic fall in public and private fixed investments in general, proves that Turkey was indeed going through a phase of militarization of the defense industry. Several examples demonstrate the attention that the industry received from private corporations. For instance, the CEO of Otokar (Koç Holding) claimed that Otokar survived the 2001 crisis thanks to its sales in the defense industry, which amounted to 60 percent of its total sales.<sup>134</sup> More recently, Kale Group claimed that it expected to generate 2 billion dollars' worth of revenue from an F-35 project and that it would end the year with 30 million dollars in revenue, with the next five years yielding 5 billion dollars in revenue.<sup>135</sup> The high profit earnings heighten the competition between corporations and attenuate the existing conflicts among capitalists. The best example to support this claim comes from the period before the February 28, 1997 military intervention, when the members of MÜSİAD<sup>136</sup> announced their willingness to join the military industrial sector, which generated considerable controversy.<sup>137</sup> We do not possess an updated list of MÜSİAD member companies operating in the military industry nor an accurate estimate of MÜSİAD companies' share of revenue in the industry, but we do know that the following MÜSİAD member companies are within the military-industrial sector: Daloğlu Döküm Makina, Erkekoğlu Pres Makina, Kahraman Sarsılmaz Mak., Karmetal İnşaat, Safir Silah Sanayi Tic., and Şimur Sav. San. Tic.<sup>138</sup>

Here, a unique quality of Turkey's military industry is that the military is a powerful actor within the sector through its affiliation with the TAFF. TAFF affiliates account for a third of the sector's total revenue. In addition, of the sector's top ten earners, half are TAFF affiliates. According to the 2007 figures, the ten largest earners in the military industry were: Aselsan, TEI, MKEK, Otokar, Havelsan, Yakupoğlu, Roketsan, TAI, Mercedes and Siemens. Again, the 2007 figures show that the companies with the largest volume of exports are Otokar, TEI, TAI, Havelsan, Roketsan, FNSS, Aselsan, Yakupoğlu, MKEK, and Mercedes.<sup>139</sup>

The TAFF is established by Law No.3388, dated June 17, 1987.<sup>140</sup> Its objective is to “develop the national war industry, to constitute new branches in the war industry, [and] to contribute to the development of the combat capacity of the Turkish Armed Forces by procuring weapons and equipment.” The Minister of Defense, the Vice Chief of the General Staff, the Undersecretary of Defense, and the Undersecretary of Defense Industry sit on its board of trustees. The administrative posts in the Foundation are filled by military officers. The Foundation's funding comes from donations, shares in profits earned from affiliates, rents collected from property and facilities, gains accrued from partnership protocols, returns on bank deposits, returns on stocks and shares, and gains accrued from commercial fairs. Article 6 of the Foundation Statute obliges the TAFF to spend 20 percent of its net income on upkeep and administrative costs and utilize the remaining 80 percent to fulfill its main objectives. The CEO stated that the Foundation earned 43 million TL in the first six months of 2006. In the same breath, the CEO mentioned that 80 percent of its net earnings were channeled into arms and artillery procurement and development of the defense industry, that 17 million TL would be carried over into 2007, and that the Foundation was planning to transfer 22 million TL worth of financial resources to 2008.<sup>141</sup>

133 Yeldan, 2001: 46.

134 Radikal, 22.04.2001.

135 Milliyet, 29.04.2009

136 Independent Businessmen and Industrialists Association (MÜSİAD) is an organization that allegedly represents conservative Muslim businesses and businesspeople. MÜSİAD is generally considered to be the adversary of TÜSİAD, which is a business association that brings together Turkey's largest corporations and arguably represents Republican and secular businesspeople.

137 On this issue, please see Radikal, 26.01.1997; “Müsiad is interested in arms...”, Radikal, 11.05.1997; “Locally Produced Tanks”, Akit, 28-30.04.1997; “The advent of Islamic capital into the defense industry will be stopped...”, Hürriyet, 09.06.1997; Erol Yazar, “Why National Defense Industry”, Çerçeve, Sayı 19, 1997. Please see also Şen, 2000: 107-123; Uğur ve Alkan, 2000: 151-152.

138 This information is derived from the MÜSİAD members database. Please see <http://www.e-musiad.com/Firma/KatalogSektor.aspx>.

139 Turkish Defense Industry Report, 2008: 33.

140 For the law on foundation, please see [http://www.tskgv.org.tr/index.php?option=com\\_content&task=view&id=47&Itemid=55](http://www.tskgv.org.tr/index.php?option=com_content&task=view&id=47&Itemid=55), Accessed 25.05.2010.

141 Aktaran Akay, 2009: 132. For TAFF's income and expenditures in 1987-2000 please see. Günlük-Şenesen, 2002a: 54.

The TAFF's modernization and its pivotal role in the construction of the military industry are carried out by building or entering into partnerships with arms producers. Six out of 14 TAFF affiliates are its largest companies and TAFF owns them by the following percentages of shares: İřbir Elektrik (99.8%), Havelsan (98.9%), Aspilsan (97.7%), Aselsan (84.6%), TAI Tusař (54.5%), Roketsan (35.5%), TAPASAN (25%), Türktıpsan (20%), DİTAŐ (20%), Netař (15%), Mercedes-Benz Türk (5%), TEI Tusař (3%), HEAŐ and HTR Havelsan Teknoloji.<sup>142</sup> Havelsan, Aselsan, Roketsan, and TAI are among the "500 Largest Industrial Corporations in Turkey" list published by the Istanbul Chamber of Commerce.<sup>143</sup>

## MACRO-FINANCIAL IMPACT OF THE MILITARY INDUSTRIAL SECTOR

Here, it is crucial to touch upon the macro-financial impact of the military industrial sector. Though there is a lot of debate about this issue in academia, the actors within the military industrial sector boast of its positive impact. Yet, the assertion that military spending and military industry stop financial regression, promote growth, create new jobs, boost technological innovation, and have positive spillover effects on other sectors still remains to be proven. It may be argued that the positive effects identified above may be a kind of military Keynesianism and that high military spending and the concentration of military industry in countries like the United States, Israel, and some Western European states have had a positive effect from time to time. In semi-peripheral countries like Turkey, however, the positive impact is either very limited or non-existent. Nevertheless, references to the positive effects of the military industry are very common. For instance, Undersecretary of Defense Industry Murad Bayar said, "the financial resources diverted into arms production will be spent to improve national industry, and this arrangement facilitates job creation and survival from economic crisis." However, as demonstrated below, the data available negates the claims voiced by Bayar and others.

First of all, the military industry's total workforce in 2007 was only 17,841 persons.<sup>144</sup> Given the magnitude of Turkey's unemployment problem and the high level of public finances that go into the military-industrial sector, it is absurd to even mention the positive impact of the military industry on job creation. Second, the expansion of domestic production reduces Turkey's dependency on arms imports and this is a positive development. However, before celebrating the rise in domestic production, we must question the military's current policy of setting its own procurement needs. Third, some macro-financial data show that military spending and industry have a negative impact. For instance, between 1988 and 2000, defense spending surpassed (by an average of 52 percent) the amount of debt repayment. In the same period, "the positive impact of the arms trade on current accounts was very mild, while the negative impact of arms imports on current accounts was drastic." Turkey's foreign debt load increased by 10 percent due to its military needs in the same period.<sup>145</sup>

The sector's export volume expanded from 138 million dollars in 1997 to 331 million dollars in 2003 and to 576 million dollars in 2008. Despite this rise, however, Turkey's exports to the international military industrial market are hardly visible, whereas Turkey is among the market's largest importers. The SIPRI figures document that Turkey ranked 27th on the list of exporters and sixth on the list of importers from 2000 to 2004. From 2003 to 2007, Turkey ranked 22nd on the list of exporters and ninth on the list of importers.<sup>146</sup> Turkey does not have a shot at claiming a major share in the world market that would eventually impact its domestic market in a significant way. "When the personnel and current accounts expenditures and the private arms industry contractors' shares are subtracted from national budgets, the international market for arms supply is left with roughly 45-50 billion dollars."<sup>147</sup> Ninety-five percent of this market is dominated by the USA, the UK, France, Russia, Israel, and Germany. Turkey and other countries with developing military industries can only profit from the remaining five percent of the market.<sup>148</sup>

This military rationale not only monopolizes the use for militaristic purposes of a large chunk of Turkey's scarce public financial resources but also merges with key actors in the world economy (especially the major arms producers like the USA, Israel, and Germany) militaristically.<sup>149</sup> Turkey's foreign policy is thus influenced by the

<sup>142</sup> For the list, please see Akay, 2009: 165.

<sup>143</sup> Yentürk, 2009: 41.

<sup>144</sup> Turkish Defense Industry Report, 2008: 45.

<sup>145</sup> Günlük-Őenesen, 2002a: 86, 100, 115.

<sup>146</sup> DDI, 2008: 77-78.

<sup>147</sup> Based on 2005 data – Jane's Defence.

<sup>148</sup> Turkish Defense Industry Report, 2008: 45.

<sup>149</sup> Günlük-Őenesen, 2004c: 119.

dominant military rationale and its global economic integration by way of the military. Apart from the Turkey-USA military-political and military-financial relationship, the bilateral relationship between Turkey and Israel, supported through military cooperation agreements in the 1990s (1996 Defense Industry Cooperation Agreement; 1996 Military Training Agreement; and 1994 Counter Terrorism Cooperation Agreement) are two important demonstrations of this point. As a result of its frustration with EU member states, who lamented the grave human rights violations incurred during Turkey's counter-terrorism operations in the 1990s against the PKK, and with Germany in particular over arms procurement contracts (in the case of Leopard tanks purchases), Turkey sought a close relationship with Israel, with whom it shared a militaristic state structure. The problems or at least the inconsistencies that result from making foreign policy based on military rationale surfaced in Turkey recently when Turkish-Israeli relations reached the boiling point in June 2010 over Israel's attack on civilians who were aboard an aid flotilla heading towards Gaza. Even after such a critical event, Turkey was unable to cancel its defense contracts with Israel and Minister of Defense Gönül stated that there would not be any problems with the delivery of unmanned aerial vehicles from Israel. Such is the severity of the problems with militaristic state structures.

As this section draws to a close, it must be emphasized that Turkey's military-industrial complex is in fact a Military-Industrial-University Complex (MIUC). This aspect is neglected due to the committed ideological positions of the actors that need to be studied and to the lack of available data and information. Turkey already has a terrible track record in producing, reproducing, and legitimizing its military's political, financial, and social roles, its national security ideology, and its practices. The militarization of Turkish industry exacerbates this phenomenon by encouraging Turkish universities to reproduce militarization as well. R&D spending in the military industry increased from 64 million dollars in 2004 to 228 million dollars in 2008, totaling up to 510 million dollars.<sup>150</sup> The DDI and its military companies implement joint projects with research organizations and universities such as TÜBİTAK, Istanbul Technical University (ITU), Yıldız Technical University (YTU), Middle Eastern Technical University (ODTU), Boğaziçi University, and Bilkent University; help establish, especially in technical universities, students' clubs such as the "Defense Technologies Club" (ITU); hold conferences on "University-Defense Industry Cooperation;" and periodically organize "Defense Industry Days." Three companies affiliated with TÜBİTAK are members of SASAD. TÜBİTAK invested 60 million YTL in 2008 in military industry R&D.<sup>151</sup>

Turkey is fast approaching a model of development, found in the USA and Israel, wherein a majority of its large corporations generate profits from the arms industry. This situation will oppose efforts to reverse the "politics of national security" because the arms industry needs a politics and culture of insecurity in order to profit from the weapons it produces.

<sup>150</sup> DDI, 2008: 81.

<sup>151</sup> Yentürk, 2009: 23. Please see also "Science at the Service of the Military", Radikal, 08.12.2002. Murat Yetkin, "Investing into the Future and METU", Radikal, 27.07.2003; Murat Yetkin, "With more investment into science, we have more scientific discoveries", Radikal, 31.08.2009.

# Conclusion: Issues and Proposals

The Turkish military's existence as an autonomous actor and a praetorian force has consequences not only in the field of politics but also in cultural, ideological, social, and economic fields. In this report, our focus is on the field of economics and we analyzed Turkey's military-economic structure, which stands on three pillars. The first pillar is the officers' holding company, OYAK, which is an expression of the army's presence as an economic actor. The second pillar is military spending, which is under the military's almost absolute control. The third pillar is the rapidly growing military industry in Turkey. The most basic similarity among these three pillars is that they are all supervised by the military.

Undoubtedly, the militarization processes in legal-administrative, ideological, cultural, economic, and other fields are not disconnected; on the contrary, together they constitute militarization. As Taha Parla notes "the effortless militarization of the economy"<sup>52</sup> is closely related to "the planting of the seeds of militarization way back in history.... Certainly, the militarization of the economy [eventually] legitimizes and reproduces cultural, ideological, and political militarization." The full circle is drawn, and "a situation, which is not normal to begin with, is finally internalized and glorified."

A democratic socio-political and socio-economic life is not possible without demilitarization. As such, the dissolution of Turkey's current military-economic structure is needed both for the army to resume its primary function, which is providing security from foreign threats, and for paving the way towards democratization of "civilian" living spaces, which currently cater to the production of militarization. We will now address the problems that each pillar of Turkey's military-economic structure creates and provide proposals for short-, medium- and long-term solutions.

## **A) PROBLEMS THAT ARE CAUSED BY THE PRESENCE OF OYAK, AN OFFICERS' HOLDING COMPANY, IN TURKEY:**

1. The existence of the military as a force operating outside its immediate area of activity, which is restricted to foreign security provision, violates the basic requirements of a modern democracy. The presence of OYAK is not normal.
2. OYAK consolidates the Turkish military's position as a privileged community, which reproduces itself, strengthening the praetorian army model and hindering normalization.
3. OYAK's massive economic wealth and the assumption that this wealth is unequally distributed fuel conflicts between members of the military and encourage them to scramble for a share in OYAK profits.
4. Due to OYAK's presence, the TAF is pulled deeper into socioeconomic power relations and clearly and directly picks a side in these relations. This means an unfair advantage for OYAK's partners and a disadvantage for all competitors. Practices that drag militaries into the small world of socio-political and socio-economic power relations reinforce militarization and block democratization.

## **WHAT SHOULD BE DONE ABOUT THE OYAK DIMENSION OF THE MILITARY-ECONOMIC STRUCTURE?**

1. OYAK should not be normalized.
2. OYAK was founded with a law, it is not untouchable, and it is possible to introduce new legislation to reform it.
3. OYAK should be disbanded in the medium term; the military's existence as an economic actor should be ended. This process should be planned well in advance and should be executed through a commission of legal and financial experts who represent OYAK stakeholders and former OYAK contributors.
4. In case of the full implementation of social welfare policies across the board, the legitimization of structures like OYAK, which serve only a specific community's interests, will become more difficult.

5. All legal privileges extended to OYAK should be removed with the necessary legal arrangements in the short term.
  - Tax exemptions should be removed,
  - OYAK assets should not be classified as state property and endowed with its privileges. (OYAK is an organization that looks after community interest, not public interest.)
  - Compulsory membership to additional social security organizations should be removed due to the fact that it is against constitutional freedoms.
  - Compulsory deductions from salaries of non-commissioned officers should be terminated.
6. Judicial disputes between OYAK and its members should be addressed in civilian courts.
7. OYAK's administrative organs should be composed of representatives of all members, who should be elected according to their numerical majority, and non-commissioned officers and petty officers should be represented in OYAK administration.
8. All past and current members have equal rights over OYAK property; new regulations should be introduced to facilitate the transition accordingly, and this matter should be taken into consideration during the process of disbanding OYAK.

#### **B) PROBLEMS THAT MILITARY EXPENSES CREATE IN TURKEY:**

1. Turkey's military expenses are very high considering its levels of economic and social development and public resources..
2. Public resources that go into high military spending do not substitute the social benefits that would have been accrued if these resources had instead been used for economic development and social welfare spending. On the contrary, high military spending has an overall negative impact on development and social welfare.
3. The TAF has near monopoly power for decision making and implementation of military spending. Democratic social and political oversight mechanisms do not exist/function when it comes to military spending.

#### **WHAT SHOULD BE DONE ABOUT THE MILITARY EXPENSES DIMENSION OF THE MILITARY-ECONOMIC STRUCTURE?**

1. Turkey's military spending should be reduced rapidly, at least to sensible levels.
2. Arms and artillery procurement and production projects, including projects implemented by the DDI, should be restructured accordingly.
3. Public resources that will be saved from the decline in military spending should be transferred to social welfare spending.
4. To enact all these new measures, a militaristic perception of security should be replaced with a human- and social-centered security regime. Furthermore, within the framework of this new approach, threat and defense needs should be determined by social and political actors.
5. Militaristic responses to domestic and foreign problems should be abandoned and a policy of sustainable peace should be adopted.
6. The practice of financing military expenses through extra-budgetary funds should end.
7. Systematic, regular, and transparent information about military spending should be disseminated by public authorities.
8. The TAF's monopoly power on decision-making and implementation of military expenses should be terminated, and democratic political and social regulation should be provided.
9. The perception of military expenses as a technical issue that only military specialists can comprehend should be changed; military spending should be defined as a social and political matter.
10. All regulations needed for parliamentary and judicial control of military spending should be introduced and implemented. The Law on the Court of Accounts, as well as regulations pertaining to the Court and to the administrative structure of the Court, should be amended to strengthen the Court of Auditors' oversight capacity.
11. The General Staff should be tied to the MoD and MoD staff should civilianize; they should be trained in the fields of military-politics, military-economy, etc.

12. All political parties, and MPs in particular, should prepare training programs together with civil society organizations on military spending; build special units; and demonstrate political will to employ all available mechanisms of parliamentary control.

**C) PROBLEMS THAT THE RAPIDLY GROWING MILITARY INDUSTRY CREATES IN TURKEY:**

1. Turkey's military industry is rapidly growing and absorbing the majority of public resources.
2. This growth cannot be explained by a rationale based on hastening economic-social development. Behind this lies a chain of threat-need for armament-import or production, which is determined single-handedly by the military. What happens is, in a sense, the militarization of industry.
3. When the positive economic and social effects of a better utilization of public resources are considered, the military industry makes a negative – not a positive – impact on job creation, current accounts balance, balance of payments, and foreign indebtedness.
4. This military rationality creates a military orientation in line with countries like the USA, Israel, and Germany, which are active in arms production.
5. The existence of a powerful military industry adversely affects efforts to weaken the politics of national security. Inevitably, the war industry needs a politics and a culture of insecurity in order to profit from its commodification of weapons production.

**WHAT SHOULD BE DONE ABOUT THE MILITARY-INDUSTRY BASE OF TURKEY'S MILITARY-ECONOMIC STRUCTURE?**

1. The perspective of disarmament should prevail over the rationalization of armament.
2. The reign of the military rationale, which determines threat and the need for armament, should end; these issues are social and political concerns, not military ones.
3. Military spending should be reduced and the funneling of economic resources into the military industry (which is economically and socially inefficient) should be stopped. A consequence of this change would be the end of corporate investment in the military industrial sector.
4. Arms and artillery procurement and production projects, including DDI projects, should be re-structured accordingly.
5. Companies operating in the military industry need to transform their operations into civilian business operations.
6. TAFF affiliates should be handed over to the public sector and they should begin operating for civilian purposes.



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