Turgut Özal
Anatolian Periphery to Center
Electrical Engineer from Malataya E. Central Anatolia

Trained as an economist in the U.S.
- Served as chief of S.P.O. under Demiral
- Worked at World Bank in the 1970s
- Served in the Demiral A.P. administrations

Demiral’s Minister of Economy during initiation of Economic Liberalization after second oil crisis.
- 1979-1980

1980 Under Military government Özal was given a very broad portfolio, super-minister.
- 1982 forced out amid banking scandal
Turgut Özal

- Grandparents Kurdish
- Practicing Sunni Muslim- of a Turkish bent.
  - Nakşibendi tarikat
  - Influenced by religious-government experience during graduate school in Utah.
- Influenced by the Turkish-Islamist synthesis movement
  - Erbakan’s milli görüş & Turkish Hearth (Heart of Enlightenment) (which had been replaced by CHP in 1930s)
    - Turkish identity
    - Economic Liberalism
    - Conservative Islam
1980s Environment

- Invited to Minister of economy, then challenged by Generals (Evren).
  - Refused initial selection of Generals for Chief of General Staff.

- The Military government of 1980-1983 was primarily anti-communist.
- Reached out to Islam as a source of legitimacy. More tolerant of nationalist (Grey Wolves remnants), and Islamist (Sunni Turkish) groups.

- CHP and other parties banned.
  - Although politicians’ bans were repealed in 1987 popular referendum. The CHP remained separated and weak until repeal of political party bans in 1992.

- 1983 Election Özal ANAP captured 45% of the vote
  - of economic and social conservatives from former AP and MSP (Islamist) parties.
  - Appointed conservative education minister
  - moved Director of Religious Affairs
Özal’s Reforms

- In line with interrupted IMF plan of 1980.
- Shift to export-oriented industrialization from ISI
  - tax holidays, credit to export processing firms
  - Privatisation of S.O.E’s
  - Professionalization of S.O.Es
- Continuation of 1980 measures
  - Devaluation
  - elimination of price controls
  - Elimination of quotas
- 1984 measures
  - S.O.E’s allowed to charge market prices for goods.
  - Elimination of state monopolies in electricity, tobacco, education and day care
Business Environment in Turkey

- Splits in business community
  - Chambers of Commerce
    - formed in 1950 became dominated by small medium producers protected by tariffs and quotas
  - MUSIAD
    - The rise of investment, S.O.E’s needing feedstock, and transport infrastructure in the East: Ankara, Konya, etc...created the rise of Anatolian Tigers in the 1980s (with Ozal’s export policies) and a conservative (religiously) business association.
Özal’s Reforms

- **Build Operate Own**
  Government finance, private operation, eventual purchase from government.

- **The sale of public economic enterprises assets and/or shares to the private individuals and firms, and foreigners constituted another aspect of the privatization policy.**
  Morgan Guaranty Trust Company of New York to prepare a master plan concerning privatization of public economic enterprises in 1985. The master plan study, which was carried out along with some Turkish Banks was submitted to the government made contracts with some other companies to prepare reports for the rehabilitation of some public economic enterprises working cement, textile, paper and airlines sectors.

- **Denationalization, Law No: 3291, "Law Concerning the Denationalization of Public Economic Enterprises" was enacted in 1986. The Law clarified the objectives, methods and implementation of privatization program.**

- **The responsibility to carry out privatization program was given to the Prime Ministry, Public Participation Administration.**
Özal’s Reforms

- Use of export tax credits (allegedly selective in nature)
- Özal pushed closer military and commercial ties to European Union (community)
- Resumed close relationship with the U.S. and NATO.
  - Application to the EC in 1987
- Laid the groundwork for Customs Union with the EU in 1996
- Sought and received IMF participation in Liberalisation schemes.
- 1989 Liberalization of the capital accounts
Özal’s Government

2nd Ozal Government.
1987 ANAP wins 36% vote 65% seats.
Ozal elected President in 9 November 1989 serves to his death in 1993.
Ironically, 1994 laws reform Turkey’s commercial code to accelerate privatizations.
Ozal reforms hurt organized crime (smuggling) as liberalized contra-band products.
Ozal also frightened NSC because of religious overtures, but military also was using religious conflict.
the Emergence of “the deep state.” Alliance between Nationalist Isolationists, military, organized crime and some Islamist-Nationalist groups.
Fixed exchange rates, only possible with investment controls and import restrictions, or market driven interest rates.