

July 15: Political Economy of a Foiled Coup

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ABSTRACT *Turkey has suffered from interventions and enforcements against its elected governments, on the average, in every decade. Against this background, this study presents an assessment of the political economy of the foiled coup attempt on July 15, 2016 via the main theoretical approaches developed to explain the relations between economy and military coups. In this context, the study looks at the economic background of the pre-coup attempt period, crises scenarios serviced by international institutions and the goals of the perception management orchestrated by the western world for the attempted coup. In the same breath, the study presents in detail the FETÖ's colossal economic power amounting to billions of dollars. The main conclusion is that the July 15 coup attempt was perpetrated to prevent an interruption in flow of financial resources into a murky network of business enterprises around a messianic cult.*

Introduction

After a long respite from the era of regular military interventions, a military *coup d'état* was staged to interrupt democratic life in Turkey on the night of July 15, 2016. A large network of military officers; military-civilian bureaucrats; and members of the business world, academia and the mass media affiliated with the Fetullah Gülen Terror Organization (FETÖ) has been confirmed as the group of perpetrators who plotted and attempted the coup.

It has now come to light that FETÖ conspired to develop a shadow state or parallel, state-within-a-state structure in Turkey, which gained strength and legitimacy in national and international public opinion via its media, education, and banking entities, owing to its cooperation with clandestine power centers. FETÖ has concentrated on gaining prestige in the international community through the adoption of discourses such as 'Moderate Islam' and 'Interfaith Dialogue;' however, it has stayed away as much as possible from traditional Islamic groups and civil society organizations. With the aim of penetrating

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into Turkey's military, civilian, and bureaucratic mechanisms, FETÖ opted for a pragmatic interaction with political parties (depending on the conjuncture) and tried to establish a shadow state structure in the country.

FETÖ adopted a long-term strategy in the service of a Messianic religious ideology; to this end, it recruited qualified youth, provided career opportunities legally or illegally, and placed its members in key positions in society. FETÖ mobilized both financial capital and human resources through its entities located in a wide spectrum of countries, stretching from Central Asia to Africa, and from the Balkans to Latin America; as such, its parallel structure within Turkey reflects a larger, global network. During a previous coup attempt in the period of December 17-25, 2013, FETÖ members, who were vested in security units, media outlets, and the judiciary, made concerted efforts to erase then Prime Minister Recep Tayyip Erdoğan and the governing AK Party from Turkey's political scene. Upon the failure of these efforts, FETÖ mobilized its members, nested in the Turkish Armed Forces (TAF), to take action against the chain of command on the night of July 15, 2016.

Despite all of the steps towards democratic consolidation that Turkey has taken, both within the frame of its accession bid to the European Union (EU) in the 2000s, and in the legal-constitutional reforms it initiated for the demilitarization of the country, such an unusual coup attempt indicates that Turkey has not completely left the threat of military coups behind. Turkey initially set out on its adventure of democracy by adopting a multi-party political system in 1950, and underwent a normalization process in politics under the late Prime Minister Adnan Menderes and the late President Turgut Özal. Turkey riveted this process in the socio-economic arena as well, through improvements in standards of living and welfare. On the other hand, regularly recurring military coups have paralyzed Turkey's social and political life, leaving the country isolated in the face of grave macroeconomic crises.

The military coups of May 27, 1960; March 12, 1971; and September 12, 1980 weakened Turkish democracy in the eyes of the international community and led to grave socio-economic collapses. Differently from previous coups, the February 28, 1997 intervention by the Joint Chiefs of Staff was contrived "to balance democracy" in Turkey, and it still is fresh in people's minds as a "post-modern" coup, the economic-political and social aspects of which were professionally schemed through the judiciary, the press-media and members of the financial sector. Collectively, coups in Turkey have left indelible marks in the social and collective memory of the country, and have blasted the economy

by destroying the environment for investment, expectations for the future, and perception of the rule of law.

This study presents an assessment of the political economy of the coup attempt on July 15, 2016, via the main theoretical approaches to military coups in relation to the economy. In this context, the study looks at the economic background of the pre-coup attempt period, crises scenarios provided by international institutions, and the goals of the perception-management orchestrated by the western world to put a positive spin on the attempted coup.

In the same breath, the study presents in detail the colossal economic power of FETÖ, amounting to billions of dollars; the holdings, networks of schools and hospitals worldwide, shopping malls, medical and software companies, with which the organization has direct or indirect links. This analysis emphasizes that, in the absence of an economic crisis or danger of a recession, the coup attempt simply and overtly targeted President Erdoğan. However, the coup attempt lacked a concrete socio-economic foundation; thus, it was impossible from the very start for it to gain any widespread social support which made it easier to thwart the heinous endeavor.

Theoretical Approaches to Military Coups and their Rationale

Military coups still remain a reality, despite strengthening consensus over the merits of democracy on a global scale, and ever-increasing economic and political interactions in the age of economic globalization and social integration. Indeed, successful coups have occurred 232 times in 94 countries since 1950, and about a quarter of these have overthrown democratically elected governments. The motives that drive the military forces of a nation to take over political rule, allegedly in order to protect national unity by stepping outside their legal jurisprudence, have been quite frequently discussed in the literature. A rich literature exists asserting that military coups tend to take place in rather poor countries with unsettled economic structures and institutions. Based largely on the experiences of African and Latin American countries, whose economic structures mainly rely on raw materials and agricultural products, such economic theories have seldom been applied to Asian countries.¹

Various studies have been conducted on the negative impacts of coups on national welfare and the development processes of countries,² the dynamics of economic underdevelopment or failure to develop,³ and the relationship between military spending and coups.⁴ For instance, Acemoğlu and Robinson point out that the likelihood of coups increases during periods of economic difficulties or during recessions, as in the case of Brazil (1964), Chile (1973), and Argentina (1976).⁵

Research on the economic dimensions of coup attempts in Pakistan suggests that export value growth rates and defense spending in the post-coup years of 1951-1998 were lower, as the ailing economic performance of the country increased the risk of coups.⁶ Research on the main causes of coups make a point in common that poor economic performance increases the probability of political instability and the risk of coups. The occurrence of economic instability causes or corresponds to political instability, which eventually initiates a process in which armed forces topple a civilian government.

In the last decades, economic theories, developed to examine the main causes of coups, have gradually loomed large. The main idea emphasized in such theories is that bad economic performance substantially increases the risk of a coup. Rosemary O’Kane argues that coup threats and uprisings are most likely, and most often, seen in countries with underdeveloped economies. Research also underlines that such countries are producers of primary goods and raw materials, and rely on the export of primary products; therefore they have fragile economies and unstable levels of income in the face of fluctuations in global market prices.

Economic instability generally leads to uncertainties and causes a government to lose legitimacy. As the probability of political instability rises, the risk of a coup increases as well. Paul Collier and Anke Hoeffler, in their study on poverty, stress that low income in less developed countries triggers political instability and sets the stage for coups. The authors in the same study mention the “coup trap,”⁷ that is, poor economic performance in less developed countries triggers coups –and coups, in turn, trigger poor economic development. Samuel Huntington, known for his classical studies in political science literature, acknowledges that a poor economy is a factor, which seriously increases the risk for a coup.

Huntington suggests that the years of ailing economy in Latin America made the region’s countries more vulnerable to coups than the years of recovering economy and increasing per capita income. Fukuyama agrees with Huntington and points out that political instability, historically and generally, increases in periods of economic failures and recessions. In general, all of the experts on the relationship between military coups and the economy underline that a weak economy leads to the possibility of political instability and increases the risk for coups.

Another approach has been developed on the causes of coups, which has to do with corporate or common interests. According to this approach, the military is more likely to stage a coup if there is a real or perceived threat to their interests, such as a cut in the defense budget. According to Finer two main motives for launching a coup, in general, are: defending “corporate status and

privileges,” and preserving military autonomy.⁸

Whatever the cause, the relationship between coups and development is clearly negative. The risk for a coup may be driven by many factors such as weak institutions, the military’s political power, social conflicts, and economic crises, etc., which also affect a country’s development potential.⁹ Historical experience shows that military coups create negative impacts on a country’s level of prosperity. In countries that were more democratic, a successful coup lowered growth in income per capita by as much as 1-1.3 percent per year over a decade. Concurrently, economic reforms are interrupted by ousting elected leaders as countries fall into debt traps and severe economic crises.

Successful coups also have considerably negative impacts on the areas of health, education, and investment. As spending in social programs drops in post-coup periods, masses lose economic privileges to political and economic elites.

Economic Foundations of Coups in Turkey: May 27 and September 12

Touted as the beginning of the transition to a multi-party political system, half a century old democratic experience in Turkey began with the rise of the Democratic Party government on May 14, 1950. This experience has been interrupted four times by military interventions – on May 27, 1960; March 12, 1971; September 12, 1980; and on February 28, 1997, the latter known as the “post-modern coup.”

In addition to these interventions, the e-memorandum issued by the military on April 27, 2008 and the lawsuits filed for the annulment of some political parties have also partly blighted democracy in Turkey. Turkey’s democracy and economy have fought for their lives under the shadow of coups, during which the military took over the government each and every time, as well as the unease caused by the series of ultimatums, memoranda, warnings and directives against Turkey’s elected governments.

Turkey has suffered from interventions and enforcements against its elected governments, on average, once per decade. Although the country is ranked

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among developing countries in economic terms, in political terms, it has been viewed as the prototype of a “third world country” due to these interventions, which have culminated in the institutionalization of a problematic relationship between Turkey’s political authorities and the military, as well as the judiciary and the civilian bureaucracy.¹⁰ Military interventions, the

abolishment of political parties via judicial maneuvering, the splitting of votes caused by the formation of new parties, therefore, paving the way for coalition governments, have all resulted in political deterioration and instability in Turkey.

Such interventions to the detriment of democracy have also harmed Turkey’s economy since at least the 1960s. Accordingly, instability and decreases in Turkey’s GDP growth rate, economic recession and lack of direct foreign investments, have all become issues of concern. Warranted uncertainties regarding the future of the regime have emerged in periods of anti-democratic enforcements, leading to an inevitable, corresponding regression in direct investments and capital inflows.¹¹

In Turkey’s political economy, the difficulties experienced in the transition from a liberal growth model based on agriculture in the late 1950s, to the import-substitution industrialization and the planning regime, triggered the May 27, 1960 military *coup d’état*. Similarly, the failure in transition to an open economy, despite problems in the import-substitution economy that preceded it, resulted in macroeconomic and socio-political crises in the second half of the 1970s, and eventually led to a military intervention on September 12, 1980. The conditions that activated the dynamics of a crisis to induce and set the stage for the September 12 military coup, developed when political authorities failed to take the necessary, strategic transformative decisions.¹²

In the period prior to the September 12, 1980 coup, Turkey underwent a process of stability and liberation on January 24, 1980 to recover from its social, political and economic fragilities and free itself from the import substitution economic policy. The anticipation was that the January 24 decisions would not be welcomed by a clear majority of Turkey’s society, and would be met by public reactions and protests. However, the military coup on September 12, 1980 shut down all channels for popular reaction and imposed the necessary conditions to put the January 24 decisions into force. It was clearly demonstrated that the military authority’s assistance was needed to implement the necessary

neoliberal economy policies, and thus favorable results were achieved under the circumstances of the day.¹³

With the onset of the globalization processes after 1980, Turkey adopted a neoliberal approach in terms of its economic policies, so as to minimize the influence and authority of the state on the economy. Around the world, structural harmonization packages have been imposed on developing countries, including Turkey, and on a few less developed countries, to ease their integration to the global system. The institutionalization of import substitution industrialization and the planned economy regime were achieved under the extraordinary circumstances set in motion by the May 27, 1960 military intervention. In a similar fashion, the frame of neoliberal politics was placed in service in an environment in which democratic freedoms were suspended by the September 12, 1980 military coup.¹⁴ Thus, it can be said that these two military coups were based on socio-political polarization, the need to change the outdated development strategy, and the requirements of the global system. For this reason, both coups were supported by certain interest and pressure groups and powerful socio-economic segments of society.

Mercantile Militarism: The OYAK Example

In Turkey's unfortunate history of coups, the May 27, 1960 military *coup d'état*, with the extraordinary political and socio-economic environment it created, indicated a critical threshold of a transition to a new period. The military coup on May 27, 1960 initiated the legal and institutional configuration of the transition to planned development and to the import substitution industrialization strategy. As modern Turkey's first military coup, the May 27 intervention was staged by a group of army officers, and the National Unity Committee consisting of junta members took the helm of the country, instituting a period of military tutelage. As a holding company and a product of military tutelage, the Turkish Armed Forces Assistance and Pension Fund (OYAK) was established by the army to play a part in critical sectors of the Turkish economy. Through OYAK's establishment, therefore, both an economic power center and a kind of social security mechanism for the upper ranks of the army was formed.

Substantial analyses have been made into the Turkish Armed Forces' (TAF) venture into the business world via OYAK, as a critical act, and the consequences of its having partnerships with both domestic and foreign capital. Based on the concept of collective capital ownership, some experts evaluate the growth of the army through OYAK in different sectors from production to finance by making investments and forming partnerships, whereas some others evaluate the commercial and industrialist development of the Turkish Armed Forces



The world's largest suspension bridge (59 m) and the longest suspension bridge with a rail system (1908 m) was inaugurated on August 26, 2016 as the third bridge across the Bosphorus.

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ONUR ÇOBAN

based on the concept of mercantile militarism.¹⁵ The functionality of OYAK in performing both economically and politically has served as a convenient tool to preserve unity and the hierarchical order within the armed forces. In this regard, there are also studies on the economic power of the armed forces obtained by its financial independence from the civilian governance.¹⁶

In studies drawing attention to the army as the central figure of mercantile militarism in Turkey, the military-economic structure is examined as a triad: The first pod is OYAK, described as a private holding using the privileges of public institutions, which is evident in the army's role as a direct and autonomous economic actor in Turkey. The second pod is military expenditure, a bloc of capital that has been under the almost absolute control of the army and exempted from audit by the Courts of Account and the Grand National Assembly. The third pod is the defense industry, which has undergone a rapid development process, particularly in recent years, through new investments and university collaboration.

All three pods have remained under the absolute control of the army since the 1960s and have been off-limits to access by civilian politics. OYAK is a *sui generis* corporation; initially established as a pension fund, it has expanded into a holding involved in economic activities and domestic and foreign partnerships in key sectors. More than a social security or pension fund, OYAK is a paramount capital group functioning through its investments in production and trade, and the service and finance sectors. The TAF itself, acting like a col-

The disproportional impact of OYAK on the Turkish economy as a representative a mercantile militarism creates sensitivities for the institutionalization of democratic consolidation

lective capital group, calls to mind the Egyptian army; its autonomy and power in this respect constitute a critical aspect of militarization in Turkey.¹⁷

The social base of the May 27, 1960 coup, i.e. military members, the bureaucracy, intelligentsia and the bourgeoisie of that time, supported OYAK during its establishment phase, and took office in OYAK's administrative boards. As far as its activities are concerned, due to deductions in member salaries, OYAK is a compulsory savings fund, a social security institution functioning for its members in addition to the *Emekli Sandığı* (State Retirement Fund), and a holding having direct investments in both real estate and financial sectors.

In its establishment phase, OYAK was envisioned as a capital group and its investment activities were not subject to any restrictions – in contrast to other social security investment holdings. OYAK's trading activities in the business world currently vary from production to finance sectors, and its investment activities mostly take the form of horizontal and vertical integration. Since its establishment, the OYAK group has engaged in partnerships at various levels with big domestic and foreign capital groups and domestic economic enterprises. Many of OYAK companies are among the largest and most profitable economic establishments in Turkey.¹⁸

OYAK also functions as an investment holding with activities in iron-steel, cement, concrete, automotive, logistics, chemicals, financial services, energy, freight-logistics, domestic and foreign trade, private security, technology-informatics, tourism, and other sectors, having 88 direct and indirect participations, joint management and subsidiary companies. The OYAK Group is composed of about 90 companies, 19 of which function abroad; all are active in Turkey's industry, finance and service sectors countrywide. The total number of OYAK employees exceeds 29,000. According to consolidated 2015 results, its total assets amount to 51.6 billion TL with total revenue of 23.5 billion TL. The Group's total export was 3.288 million USD in 2015, about 2.3 percent of Turkey's total export.¹⁹

Since its establishment, OYAK has taken part in joint ventures at various levels not only with big domestic and foreign equity groups but with state economic enterprises as well.²⁰ Gerassimos Karabelias, who specializes in military sociol-

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ogy and civil-military relations in Greece, Turkey, and Southeastern European states, emphasized that OYAK's economic activities have assisted not only in increasing the degree of the political and financial autonomy of the officer corps as opposed to the civilian government, but also in the development of closer, direct ties between the military establishment and leading industrialists both in Turkey (e.g. Koç, Eczacıbaşı and Sabancı Holdings) and abroad (e.g. the American, German, French, Israeli, and Russian military and high-tech companies).²¹

Although civilian auditing and authority were strengthened by the Justice and Development Party (AK Party) government in the 2000s, OYAK's economic conglomerate still stands.

The most important criticisms regarding OYAK's structure involve their efforts to stand out in strategic privatizations by using the special status of the Group, and the moral risk this poses in the market. Being a retirement fund with a semi-public nature, OYAK has often bid for privatization tenders in various areas from banking to iron-steel sectors.

OYAK has acquired many cement companies (e.g. Niğde, İskenderun and Elazığ Çimento (Cement)), a leading bank (Sümerbank), the Turkish Cellulose and Paper Factories (SEKA Çaycuma), as well as a majority share in Turkey's giant, state-owned iron-steel company (Erdemir). In this process, OYAK has benefited from some privatization tenders and received public support thanks to privileges it has gained in the private sector and its emphasis on the national economy. For instance, OYAK managed to win an auction to buy a controlling stake in the world's third largest iron-steel company (Erdemir), owing to its privileged semi-public status. During the privatization process and in advance of the auction, OYAK launched a massive public campaign via leftist-nationalist groups, to argue that such a strategic and critical company must be acquired by a Turkish company, not by foreigners. Some non-governmental organizations, newspapers, trade unions, and chambers of commerce and industry were urged to publicly protest to prevent the possible sale of Erdemir to a foreign company.²²

In terms of national security, OYAK's importance as a strategic enterprise was underlined; public pressure was exerted not to sell Erdemir to foreigners but to

a national and indigenous company. When Erdemir was purchased by OYAK, international public opinion stressed concerns that Erdemir's privatization bore traces of economic nationalism.²³

A few months later, however, OYAK launched talks for partnership with Arcelor Mittal of India, one of the largest global players in the iron-steel sector, and reached a financing agreement with a Dutch group. Similarly, OYAK bought state-owned Sümerbank in advance of the bank's privatization, renamed it Oyakbank, and Oyakbank grew. Later on, however, the OYAK group sold Oyakbank to the Dutch banking and insurance group ING, for the highest price ever offered in a bank sale.²⁴

Such examples have exposed the reality that OYAK, as an effective actor in the market, behaves quite pragmatically and just like other holdings, tries to maximize its profit margin, and do not hesitate to use its privileged status and economic nationalistic narratives at critical times. As the third largest conglomerate in the country, OYAK also gains various tax advantages, and is protected from fair market competition, a fact that has garnered significant criticisms.

Therefore, the disproportional impact of OYAK on the Turkish economy as a representative a mercantile militarism creates sensitivities for the institutionalization of democratic consolidation. Clandestine institutions such as FETÖ exploit such institutional weaknesses and try to undermine both the market economy and the democratic political system.

Military Tutelage and Its Institutions

Historically speaking, when the May 27 junta took over the government, it not only changed the political power composition but also dramatically executed the Prime Minister and two ministers of the period. Through counter-constitutional and legal regulations, the junta extraordinarily increased its supervision and influence on political life and maintained and institutionalized military tutelage over civilian politics by means of the newly formed National Security Council.

In the aftermath of the March 12, 1971 military memorandum, a state of emergency was declared in 11 provinces; many political parties, trade unions and professional associations were closed, the functions of many others were suspended, and publication of several newspapers were banned. Following the September 12, 1980 military *coup d'état*, all political parties were closed down and party leaders were detained at military bases and then put on trial. Existing civil society organizations, associations, foundations and trade unions were shut down. Although some of the organizations were allowed to function, the major-

ity was banned from resuming their activities. The critical aspect of the September 12 coup for Turkish society is that the coup changed not only the structure of public life through constitutional reforms and the imposition of laws, but also tried to redesign society itself, and succeeded in this to a great extent.

On February 28, 1997, the army issued a NSC (National Security Council) statement, similar to the March 12, 1971 military memorandum, rather than directly intervening in politics. But this time, the biggest threat against the Republic regime was announced to be “religious reactionism.” With the statement published at the end of the NSC meeting held on February 28, 1997, the military, in fact, aimed for the resignation of then Prime Minister Necmettin Erbakan, and asked the government to take some measures to restrict the freedoms of social segments with Islamic sensitivities. Conservative NGOs were substantially disempowered during the February 28 process and civil society activities decreased remarkably.²⁵ In short, the four military coups Turkey has endured since 1960 have directly affected the settlement of democracy and the development of NGOs.

Beyond exerting a tutelary hold on Turkey’s civil society, efforts have been made to bring political life and political parties under tight military control through the May 27 coup, the March 12, 1971 memorandum, the September 12 coup, the February 28 post-modern coup, and also through coup attempts in later years.

The tutelage system assigned military authorities a determinative role in ruling the country; the September 12 Constitution consolidated this system, and the NSC, which was established by the 1961 Constitution, institutionalized it. Prior to the rise of the AK Party governments, the tutelary system flourished without a pause. The NSC functioned like a parallel parliament; the NSC General Secretariat worked as a parallel, yet more veritable government, as legislative and executive actors were compelled to continue their activities within the scope of basic policies determined by the NSC and the NSC’s General Secretariat.

Notwithstanding, military interventions in Turkey have heeded social legitimacy, to an extent, by paying regard to whether or not political-social conditions were convenient to intervene. Therefore, the relations between military coups and civil society have been considerably determined by the social legitimacy concerns of the army.²⁶ In other words, the army wanted to make sure that a military intervention could be acceptable by the majority of the society under the given conditions of a specific conjuncture.

The army institutionalized the tradition of military tutelage through military coups. The role of the army in the tutelage system was consolidated by the establishment of an extremely centralist structure and the armed forces’ abso-

lute autonomy within the state. A crooked structure has thus emerged in which the political and financial endeavors of the military have not been controlled effectively; on the contrary, the military has constantly supervised politics. The TAF has never submitted to control by the political will in terms of military spending, activities, or administrative acts.

For years, then, the TAF managed to keep its budget and expenditures free from oversight by Turkey's legislative bodies and auditing mechanisms – owing to its financial autonomy in particular. In the 2000s, however, the AK Party government gained institutional control over the system, and began taking steps to break the financial autonomy of the military tutelage mechanism, by amending critical laws to this end, and subjugating military spending to external audit.

Through critical amendments and regulations in the NSC Law, the military's representation in various institutions has been terminated.²⁷ As of 2005 in particular, in connection with Turkey's full membership talks with the EU, the AK Party took steps to move the military into the purview of the civilian government; these measures have gradually weakened the tutelage system, and have been maintained despite the e-memorandum and the closure cases filed against the AK Party and other political parties. Thus, many of the institutional foundations of military tutelage were gradually eliminated in the process leading up to the July 15 coup attempt.

The Importance of the Institutional Fight against FETÖ

As a result of the advances made in the 2000s, Turkey is currently the world's 18th largest economy and is considered a medium-scale emerging economy; with its peculiar strategic and geopolitical position, combined with a dynamic and young population, Turkey stands poised to become an energy supply-and-demand hub. The July 15 coup attempt obviously aimed at Turkey's political stability, along with its development goals and economic potential.

The averted July 15 coup will leave scars in the collective memory of Turkish society. In a period in which everyone had been thinking, "There cannot be military coups anymore," the Gülenist junta created a profound social trauma in Turkey with the attempted coup on the night of July 15, 2016. The social



FETÖ built its “shadow state” structure by penetrating into the military, the security sector, the judiciary, the national intelligence organization, and the state bureaucracy on account of its influence in political, bureaucratic and security mechanisms

ramification of the attempt is a loss of sense of security among Turkey’s populous. Re-strengthening the Turkish people’s sense of security and belief in the future is important for a soundly functioning political and social order.²⁸

FETÖ built its “shadow state” structure by penetrating into the military, the security sector, the judiciary, the national intelligence organization, and the state bureaucracy on account of its influence in political, bureaucratic and security mechanisms. The structure recruits qualified human capital via education institutions, private schools, student houses, prep schools and dormitories.

In press and media, FETÖ spread its mass power through TV channels, radio stations, newspapers, magazines, news agencies, publishing houses and bookstores. It established a foothold in the international community through NGOs, humanitarian relief foundations and associations, interfaith dialogue, and intellectual and cultural activities. In addition, the FETÖ parallel state structure reinforced its economic power through banks, finance and insurance companies.

Table 1: FETÖ Financial Resources

Institutions	Domestic (Number)	Abroad (Number)
Primary, Secondary, High School (College)	1,700	2,500
Prep. School	1,000	
University	15	10
Youth Hostel	449	200
Association and Foundation	1,225	1,500
Healthcare Organization	35	15
Company	8,000	3,000
Bank	1	
Media Enterprise	131	50
News Agency	3	
TV Channel	16	
Radio Station	23	
Newspaper	45	
Magazine	15	
Publishing Firm	29	

Source: SETA, Infographic.

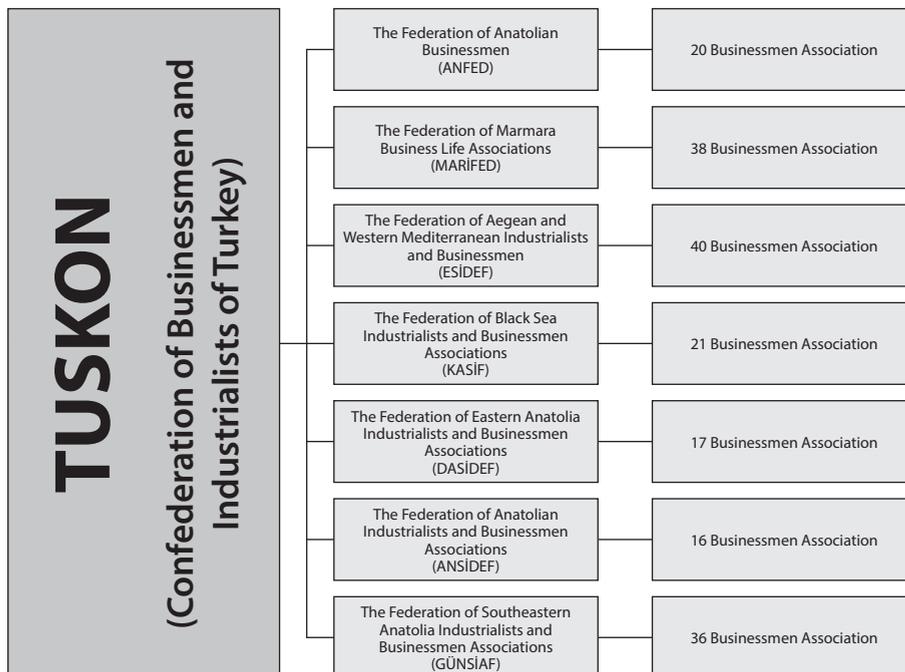
Established in 2005, FETÖ’s umbrella organization, the Confederation of Businessmen and Industrialists of Turkey (TUSKON) formed a giant network representing about 55,000 entrepreneurs and 140,000 companies in 211 business associations across 80 provinces of Turkey. TUSKON was formed as an NGO in the form of a confederation comprising regional federations. The network was organized across seven geographical regions of Turkey as separate fed-

erations, with representatives in a total of 140 countries, including Brussels, Washington D.C., Moscow, Beijing, and Addis Ababa.²⁹

TUSKON is composed of the following federations:

- 1) The Federation of Anatolian Businessmen (ANFED),
- 2) The Federation of Marmara Business Life Associations (MARİFED),
- 3) The Federation of Aegean and Western Mediterranean Industrialists and Businessmen (EDİFED),
- 4) The Federation of Black Sea Industrialists and Businessmen Associations (KASİF),
- 5) The Federation of Eastern Anatolia Industrialists and Businessmen Associations (DASİDEF),
- 6) The Federation of Anatolian Industrialists and Businessmen Associations (ANSİDEF), and
- 7) The Federation of Southeastern Anatolia Industrialists and Businessmen Associations (GÜNSİAF), and their affiliated business associations.

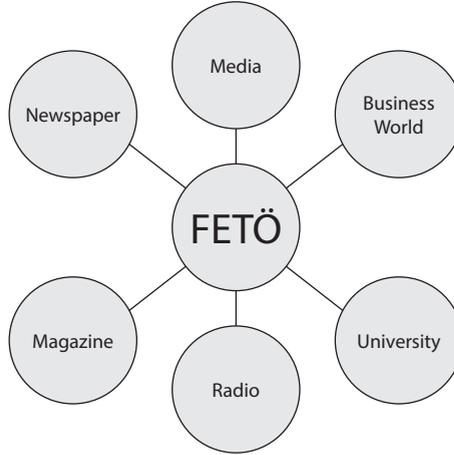
Scheme 1: Number of TUSKON Member Federations and Affiliated Businessmen Associations



Source: *Daily Sabah*, (July 25, 2016).

FETÖ entertained a large degree of power in Turkey’s economic and media spheres. As depicted in Scheme 1, trustees were appointed to some FETÖ companies prior to the July 15 coup attempt; in its wake, a large number of FETÖ corporations have been shut down.

Scheme 2: FETÖ Economy, Education, and Media Structure



Scheme 3: FETÖ's Press-Media Leg

MEDIA	NEWSPAPER	RADIO
<ul style="list-style-type: none"> • Samanyolu • STV Avrupa • STV Amerika • S Haber • Mehtap • Ebru • Yumurcak • Küre • Hazar • Dünya • MC • Kanaltürk • Bugün • Barış • Can Erzincan • Kanal 124 • Merkür • SRT • Tuna Shopping • Cihan News Agency 	<ul style="list-style-type: none"> • Zaman • Today's Zaman • Meydan • Bugün • Millet • Taraf • Özgür Düşünce • Yarına Bakış • Yeni Hayat 	<ul style="list-style-type: none"> • Burç FM • Samanyolu Haber • Dünya • Aktüel • Berfin FM • Cihan • Esra • Haber Radio Ege • Herkul FM • Jest FM • Kanaltürk • Radio 59 • Aile Rehberi • Bamtel • Radio cihan • Fikih • Küre • Mehtap • Nur • Şimşek • Yağmur FM • Umud FM • Aksaray Mavi

Scheme 4: FETÖ's Business World – Academics (Education) Leg

BUSINESS WORLD	ACADEMY (UNIVERSITY)	MAGAZINE
<ul style="list-style-type: none"> • Bank Asya • TUSKON (Marifed, Arifed, Esidef, Kasif, Anfed, Ansifed, Dasidef, Günsiaf etc...) • Kaynak (Sürat Cargo, Sızıntı, NT store etc...) • Koza-İpek (Koza Altın, ATP Aviation etc...) • Naksan (Naksan Plastic, Nakpilsa textile...) • Cihan-Sen Confederation (Affiliated 10 labor unions; Aktif Eğitim-Sen, Ufuk Sağlık-Sen, Ufuk Haber-Sen, etc...) • Aksiyon Confederation of business (Affiliated 9 labor unions; Pak Gıda-İş, Pak Maden-İş, Pak-Finans İş etc...) • Boydak (İstikbal, Bellona, Boydak Energy, HES Cable, Boyçelik, Bizim Asset Management Company etc...) • Akbulut (Ortadoğu Textile, BJ Textile, Oden Energy, Erfa Engineering etc...) 	<ul style="list-style-type: none"> • Altın Koza (İpek) University • Bursa Orhangazi University • Canik Başarı University • Melikşah University • Fatih University • Selahattin Eyyubi University • Murat Hüdavendigâr University • Süleyman Şah University • Turgut Özal University • Mevlana University • Kanuni University • İzmir University • Zirve University • Gediz University • Şifa University 	<ul style="list-style-type: none"> • Aksiyon • Turkish Review • Sızıntı • Akademik Araştırma • Asya Pasifik • Bisiklet Çocuk • Diyalog Avrasya • Ekolife • Ekoloji • Fountain • Gonca • Gül Yaprığı • Nokta • Yağmur • Yeni Ümit • Zirve

The Markets' Reaction to the July 15 Coup Attempt

Turkey's strong financial and economic structure, based on the country's success in macroeconomic governance in recent years, prevented a potential economic crisis. The coup attempt may of course have a negative impact on the Turkish economy in the short-term; however, the reactions of markets to the developments should be taken in stride. Kar and Ayhan analyzed the impact of the July 15th coup attempt on Turkey's financial sector and economy. They investigated a number of variables to assess the volatility of Turkey's financial system and any changes in the overall economy. Their results indicate that the coup attempt did not affect the financial system, which bounced quickly back after a short run recession. In light of their findings, they conclude that the Turkish economy and financial system are in a good position among other emerging market economies.³⁰ A similar study shows that the Turkish economy demonstrated resilience in the aftermath of the coup attempt; within a few days of the crisis, the economy and financial system were functioning well without any signs of instability, as if nothing major had taken place just a short time earlier. The Turkish economy has survived other serious challenges, and has actually fared markedly better than that of numerous other countries, especially in Europe, in the last few years. The economy remains stable, the banking system robust, and the investment climate as advantageous as ever. In short, the ill-fated incident's negative impact on Turkey's financial markets has been limited and short-lived.³¹

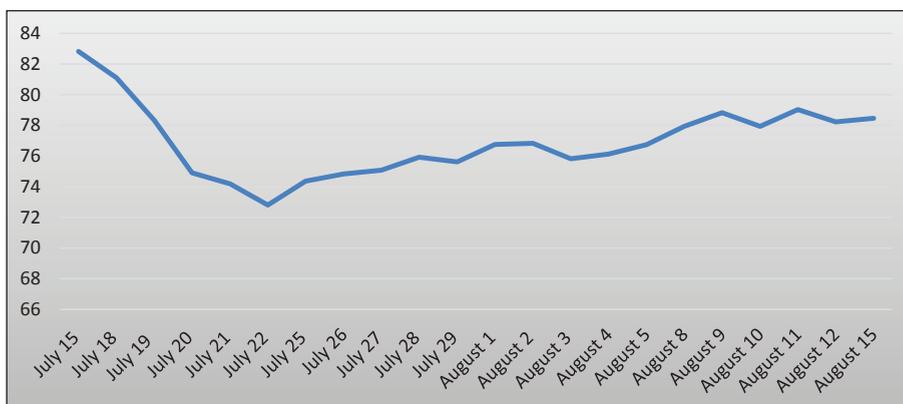
In a single week after the coup attempt, \$11.5 billion worth of currency was exchanged to the Turkish lira. Although there is no rational explanation for this behavior in such a capitalistic system, Turkish citizens prevented the coup attempt not only physically but also economically

While conjunctural fluctuations are part of any national economy, a coup attempt is one of the biggest political risks a country faces. In contrast to the coup attempt in Turkey, after the Brexit decision in the British referendum, sterling plummeted against the U.S. dollar as the London Stock Market hit rock bottom. Considering that Turkey fended off a political risk, incomparably more serious than Britain's Brexit experience, the Turkish economy stands sober and has not experienced any big shocks either in terms of exchange rates or investments. Reactions in markets mellowed quickly, owing to the rapid thwarting of the political risk.³²

Despite the capital outflow after the coup attempt, citizens and domestic investors prevented the possible depreciation of the Turkish lira by exchanging

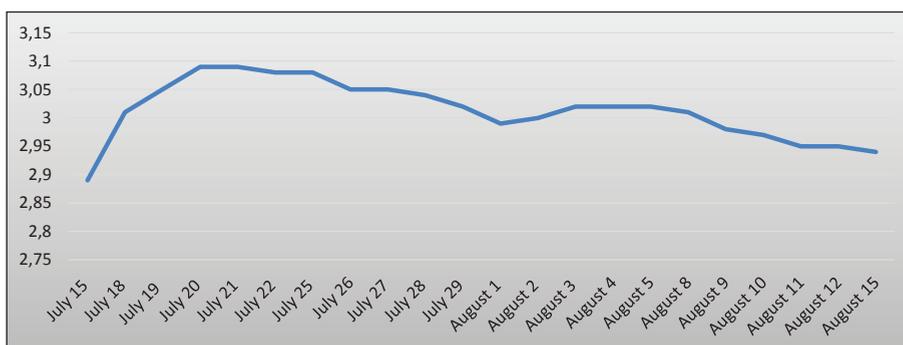
much of the foreign currency in their portfolios and wallets. In a single week after the coup attempt, \$11.5 billion worth of currency was exchanged to the Turkish lira.³³ Although there is no rational explanation for this behavior in such a capitalistic system, Turkish citizens prevented the coup attempt not only physically but also economically. In other words, while they protected democracy on the streets, they also protected economic stability in their bank accounts.³⁴

Graphic 1: BIST 100 Index (July 15 – August 15, 2016)



Source: Bloomberg HT.

Graphic 2: USD / TL Parity (July 15 – August 15, 2016)

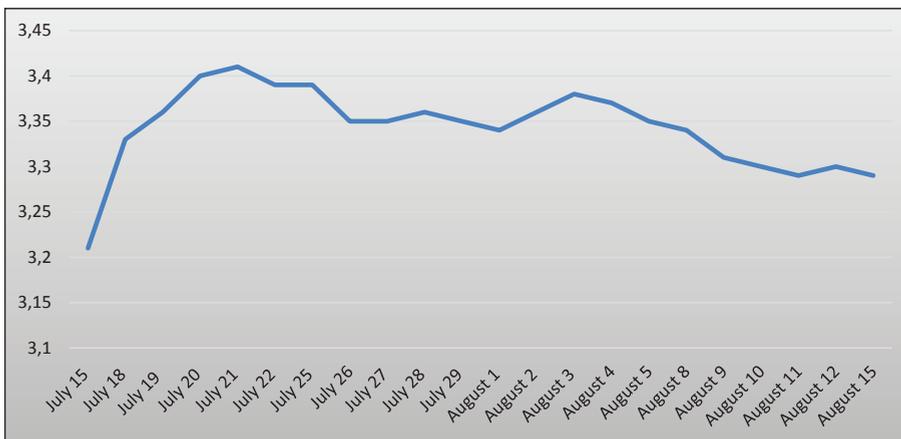


Source: Bloomberg HT.

The foiled coup attempt took place on the night of Friday July 15, 2016. Since the markets were closed for the weekend, many watched and waited anxiously to see the markets' reaction on Monday morning, July 18. During the business week that followed, the BIST 100 Index dropped as the American Dollar and Euro gained value against the TL. Graphic 4 depicts CDS premiums. CDS can be employed to assess the stability of a country's financial system; an increase in CDS means that the economy is worsening. After the end of

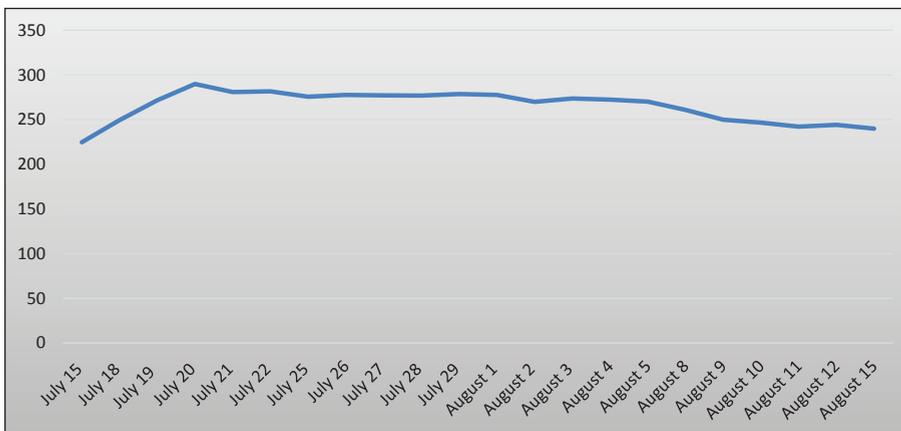
the quantitative easing program, the CDS of emerging market economies increased because of capital outflows. The coup attempt on July 15 influenced CDS premiums and the hike was about 29 percent, increasing from 224 to 289 points. However, after a short time, it started to diminish gradually. A month after the coup attempt, it was 239 points again. The steepness of the slope of CDS premiums was lower than that of the other indicators, while the impact of the coup attempt on CDS premiums was not as high as that of an unstable political environment (i.e., between the two elections in 2015). CDS premiums were close to the pre-coup levels when we compared the volatility range. Hence, there is no need to make a prediction for the normalization of CDS premiums.³⁵

Graphic 3: Euro / TL Parity (July 15 – August 15, 2016)



Source: Bloomberg HT.

Graphic 4: CDS Premium (July 15 – August 15, 2016)



Source: Bloomberg HT.

The initial shock, the Central Bank's interest rate decision for a reduction despite the coup attempt and, more importantly, anxiety stemming from the declaration of the State of Emergency, played a role in the first week's developments after the coup attempt. In addition, announcements by credit rating agencies, starting with S&P's hasty decision to cut Turkey's credit rating, are among the negative developments in the course of events.³⁶

However, in the context of effective crisis management the Central Bank of Turkey adopted the following measures, as part of its crisis management, to maintain effective activities in financial markets:³⁷ (i) The Central Bank of Turkey provided banks with necessary liquidity, without limits, (ii) The commission rate for the intraday liquidity facility was zero, (iii) Banks were allowed to place foreign exchange deposits as collateral without limits for necessary Turkish Lira liquidity, (iv) Foreign exchange deposit limits of around \$50 billion were increased and utilization conditions (collateral and cost) were improved, (v) All markets and systems (Electronic Fund Transfer and Electronic Securities Transfer) were kept open until transactions were completed, (vi) Market depth and prices were monitored closely, and (vii) Necessary measures were taken to maintain financial stability.

The Central Bank's decision to provide banks with necessary liquidity without limits to ward off a possible panic atmosphere was critical for Turkey's financial stability. With the announcement of the preventive measures package, the Bank immediately positioned itself to respond to all demands by banks and people; therefore, in an environment of security concerns, it forestalled possible increases in exchange rates in financial markets and losses in the Stock Market.

Thanks to the Central Bank's preventive measures, the Turkish people and markets relaxed and recovered from the initial shock after the failed coup attempt with minimal damage, and quickly reaffirmed their confidence in the economy and Turkey's financial administration.³⁸ Top economy officials and institutions issued effective and positive statements, which changed the upward trends in index and exchange rate figures to horizontal trends. Messages of confidence in the Turkish economy given by both domestic and foreign market players definitely stopped possible losses in the Stock Market and forestalled increases in exchange rates.

The Western Approach to the Coup Attempt and Efforts to Induce a Financial Crisis

Turkey was deeply disappointed by the fact that the U.S., the EU countries and international institutions, and the western world in general, did not

rush to condemn the July 15 military coup attempt; anti-Americanism in particular has reached a new peak due to the fact that FETÖ leader Fetullah Gülen continues to live in the U.S. Affiliates of FETÖ's parallel state structure nested in the İstanbul Stock Market, the BDDK, the SPK and the Central Bank tried to trigger an economic crisis through financial instability in Turkey and spread despair among people.

The attempted military coup aimed to affect production and investments in Turkey through financial channels, destroy Turkey's economic environment, end stability and replace it with vulnerability, thereby triggering a crisis and blasting the country's political structure. After the coup attempt was repelled, FETÖ affiliated individuals nested in various parts of the economic structure, such as financial institutions, the Stock Market, the Banking Regulation and Supervision Agency (BDDK), and the Capital Markets Board (SPK), were immediately purged as suspects were suspended from their jobs so that in-depth inquiries could be carried out.

The Central Bank, which had previously hesitated to select policy instruments that would vitalize the investment environment in risky political times, and which had also sharply increased Turkey's interest rate many times, made a courageous move in the immediate wake of the July 15 coup attempt, lowering the interest rate and challenging FETÖ affiliated individuals and speculators who had penetrated into Turkey's finance institutions.

Two days after fending off the coup attempt, the credit rating institution Standard and Poor's promptly reacted and cut Turkey's credit rating although an evaluation by the agency was not scheduled at the time. Standard and Poor's (S&P) move demonstrates that decisions of the international credit-rating agencies may be motivated by political rather than economic factors.

Credit rating business in the world is controlled by three oligopoly corporations and that is generally accepted by international capital markets as an indication that these corporations can easily change the financial atmosphere in a country. Although there are about 80 credit rating agencies around the world, Standard & Poor's, Moody's, and Fitch Ratings, which are known as the "Big Three," control about 95 percent of the sector.³⁹

As credit rating establishments are the West's modern financial instruments on a global scale, S&P's objectivity is questionable in terms of its rating cri-



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The ruling AK Party, which faced political crises by virtue of the party closure case filed against it in 2008, and the December 17-25, 2013 anti-government operations, realized that the tutelage is nurtured by the civilian bureaucracy and accordingly tried to find a common ground with the opposition to remedy the situation

teria. While S&P cut Turkey's credit rating to negative, Moody's and Fitch announced that they would rate Turkey after seeing reactions of the Turkish government [to the failed coup attempt]. Indeed, S&P's rejection of the government's offer to have a meeting in advance of the announcement of S&P's decision is an indication of S&P's on-going subjective attitude towards Turkey.⁴⁰

It is still fresh in people's minds that international credit rating agencies failed with their decisions in the pre-global crisis period and that their decisions dragged the glob-

al economy into turbulence. Since the global economic crisis, the subjective and unethical decisions of credit rating institutions are being held to deeper scrutiny.

A Stylized Political Economy of the July 15 Coup Attempt

An analysis of the military intervention processes in Turkey's history of coups reveals that the coups generally coincided with times of economic shrinkage, and that they struck a blow to Turkey's economic policies and triggered cyclical fluctuations. The coups that followed economic and political instability created environments vulnerable to coups every decade. These coups have resulted in the suspension and regression of Turkey's democratization process, and have had an especially negative impact on the masses. In the end, all of the coups and military interventions in Turkey have generated tremendous social, economic, and political losses.⁴¹ Through these interventions, the armed forces have habitually attempted to gain a relatively more powerful position legally, politically, and economically.

In the aftermath of the 2000-2001 economic crises, the AK Party governments took the helm of a country suffering from dire socio-economic conditions, and adopted an array of measures to constrict the military tutelage and expand the sphere of civilian politics. The steps taken by the AK Party to break the political-economic power of the military tutelage are the most critical and noticeable of these measures. For instance, military spending has been subjected to the Court of Account's auditing. Moreover, OYAK's institutional privileges

have been truncated; military members of Turkey's high civilian boards, such as the Radio and Television Supreme Council (RTÜK) and the Higher Education Council (YÖK), have been eliminated; the military officers who were involved in past coups have been tried in court, the weight of the NSC chief commanders has been reduced, the authority of Turkey's military courts have been restricted, and the State Security Courts have been abolished. Such steps aim to break the settled structure of the military tutelage and get rid of the coup tradition in Turkey.

The ruling AK Party, which faced political crises by virtue of the party closure case filed against it in 2008, and the December 17-25, 2013 anti-government operations, realized that the tutelage is nurtured by the civilian bureaucracy and accordingly tried to find a common ground with the opposition to remedy the situation.

The Fetullah Gülen Terrorist Organization (FETÖ) sought at numerous times to take over Turkey's elected and legitimate government via latent judicial-police operations and various instruments until July 15, 2016, when the organization attempted to overthrow the government by a military coup. FETÖ terrorist structure takes the form of a multifaceted organization nested within various institutions and enterprises in Turkey, from education to the business world, from NGOs to the bureaucracy, from the judiciary to academia, and it has proven to be a global threat.

In the wake of the July 15 coup attempt, some of the profound changes made in the TAF for a more civilian army are as follows:⁴² (i) The Ministry of National Defense (MoND) will have civilian personnel and staff, (ii) The Land, Navy and Air Force commands are directly connected to the MoND, (iii) The President and Prime Minister have the authority to receive information directly from, and to issue direct orders to the commanders of the army, air force, and navy, (iv) The control of all factories, industrial facilities and navy yards under the TAF have been transferred to the MoND, (v) The disciplinary and personal affairs procedures of military judges have been transferred to the MoND, (vi) The Supreme Military Council has been expanded to include the deputy prime ministers and the justice, foreign, and interior ministers, (vii) All military academies are to be shut down within two years, (viii) A National Defense University (NDU) has been established under the MoND to train officers for the army, (ix) A major institutional restructuring process to regulate TAF's appointment and promotion system, and the duties and authorities of its administrative elites has been launched, (x) All military hospitals have been put under the authority of the Health Ministry instead of the military, (xi) The Gendarmerie Command and Coast Guard Command controlled by the TSK, for their personnel, training and procurements, are now fully part of the Ministry of Interior, (xii) Military barracks in strategic metropolitan cities, e.g. İ-

tanbul and Ankara, have been moved outside of city limits, (xiii) Graduates of Religious and Vocational High Schools may enroll in the military academies.

These structural changes deeply affect the TAF's structure in terms of civilizing and making it more accountable. Accordingly, a more robust and democratically controlled army would be less immune to capture by clandestine organizations such as FETÖ.

Conclusion: Institutional and Social Resistance to the Coup Attempt

At the end of a long and painful July 15 night, Turkish democracy averted an unconventional military coup attempt, plotted by FETÖ affiliated pro-junta personnel operating outside of the legitimate chain of command. President Erdoğan's courageous leadership, and the self-sacrificing struggle of the people of Turkey against the coup attempt, played a leading role in fending off the coup. However, the July 15 episode triggered a deep social trauma and created a profound lack of confidence in Turkish society towards public institutions and religious communities.

From the economic perspective, reassuring statements and effective governance on the part of Turkey's bureaucracy and the Central Bank, combined with the bonding together of the business world are key factors that helped to prevent chaos and panic in the markets after July 15, 2016. Significantly, immediately after the coup attempt, the Treasury, the Central Bank, the SPK, the BDDK, and the Union of Banks of Turkey jointly addressed international market actors, emphasizing the sound functioning of the judicial system, the fact that the State of Emergency declared in Turkey will not affect free market conditions, and that all necessary steps will be taken for the sustainability of economic stability.

By the same token, leading representatives of the Turkish business world, the Union of Chambers and Commodity Exchanges of Turkey (TOBB), the Turkish Exporters Assembly (TIM), the Foreign Economic Relations Board of Turkey (DEİK), the Turkish Industrialists and Businessmen Association (TÜSİAD), the Independent Industrialists' and Businessmen's Association (MÜSİAD), the Anatolian Businessmen Association (ASKON), and the Confederation of Turkish Tradesmen and Craftsmen (TESK), announced their commitment to act in concert to protect Turkey's economic stability and reverse any negative perception about Turkey in international markets.⁴³

Similarly, international conglomerates such as General Electric, Intel, Cargill, Boeing, Microsoft, Toyota, IBM, Nestle, Siemens, Ford Otosan, and Socar, announced their confidence in Turkey's future and asserted that their investments

in Turkey will continue without pause. In addition to international finance, independent auditing and consultancy firms, the South Korean global automotive giant Hyundai called on its partners and subsidies across the globe for “special support to Turkey” after the July 15 failed coup attempt.⁴⁴

In summary, the Gülenist coup attempt on July 15, 2016, took place at a time when many believed that conventional military coups in Turkey would never occur again. Past military coups generally had taken place in times of social polarizations caused by economic stagnation, failing development strategies or risks of financial crises. The July 15 coup attempt, however, occurred at a time when the Turkish economy was exhibiting the parameters of strong macroeconomic governance and sustained growth rates.

Hence, the July 15 coup attempt, with a weak socio-economic basis, never stood a chance to destroy the foundation of President Erdoğan’s social legitimacy backed by political will. The Turkish people’s social resistance to the coup attempt has proven that it is impossible for conventional military coups to gain social legitimacy in Turkey any more. In the history of Turkish democracy, the pages of military coups are forever closed. ■

Reassuring statements and effective governance on the part of Turkey’s bureaucracy and the Central Bank, combined with the bonding together of the business world are key factors that helped to prevent chaos and panic in the markets after July 15, 2016

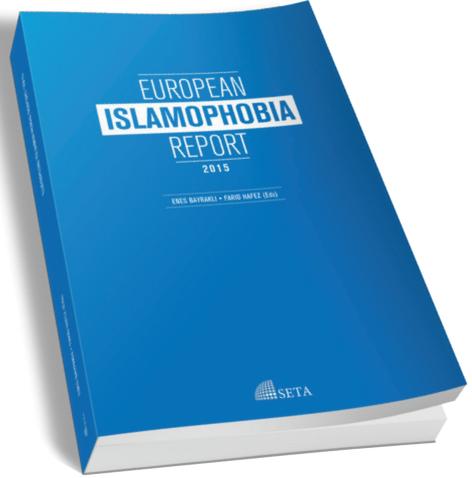
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EUROPEAN ISLAMOPHOBIA REPORT 2015



By ENES BAYRAKLI • FARID HAFEZ (Eds)

The European Islamophobia Report (EIR) is an annual report, which is presented for the first time this year. It currently comprises 25 national reports regarding each state and the tendencies of Islamophobia in each respective country.

The current report features the work of 37 extraordinary scholars. In the years to come we will attempt to cover even more countries. This report aims to enable policymakers as well as the public to discuss the issue of Islamophobia with the help of qualitative data. At the same time, several of its unique characteristic features make a difference to the current state of the debate on Islamophobia. Studies on Islamophobia have in the past predominantly concentrated on Western Europe. This is especially the case with reports focusing on Islamophobia. The EIR is the first to cover a wide range of Eastern European countries like Serbia, Croatia, Hungary, Lithuania, and Latvia. This will enrich the debate on racism in general and Islamophobia in Europe in particular.

The EIR looks at the employment sector, education, politics, media, internet, the justice system, and networks. Islamophobia works without Muslims, as can be shown by the fact that Islamophobia played a role in the politics of many European countries, which has only a very small Muslim population. This trend was especially strengthened by the so called 'refugee crisis'. Both attacks in Paris, which happened in 2015, became a discursive event that shaped the debates on Islam and Muslims throughout Europe.

**Read the
Report online:**



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