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Power and Corruption in Erdoğan's Turkey: Context and Consequences

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The case of Reza Zarrab and his co-conspirators, who all stand accused of violating U.S. sanctions law, has profound implications for the future of Turkish-American relations. Any conviction or plea agreement reached will represent official confirmation that the government of Turkish President Recep Tayyip Erdoğan willfully engaged in systemic corruption for political and economic gain as part of a policy that also undermined NATO alliance goals.

Even if federal prosecutors were to abandon the case, there are multiple signs that suggest that Washington's ability to cooperate with Turkey on certain security matters has been fundamentally compromised. Increasingly, Ankara seems intent on fostering conditions that, either inadvertently or by design, harm the broader regional security architecture that the United States and Turkey once worked together to build.

One may look at the Zarrab case as symptomatic of a much larger crisis, one greater than any attempt to impose sanctions on Iran. There are several trends in



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modern Turkey that suggest that corruption, particularly in matters of economy and commerce, has become an instrument of policy and rule in the hands of Erdoğan and his Justice and Development Party (AKP).

This increasingly corrupt system of government comes after decades of joint U.S.-Turkish efforts to form a strong, working relationship on issues related to cooperative international law enforcement. The consequences of this breakdown are diverse and potentially severe. Turkey's increasingly subversive posturing on international law and security poses a direct threat to U.S. efforts to combat transnational crime and terrorism on multiple fronts.

Historical Context: Corruption and Counter-Corruption in Turkey

Westerners have long had a proclivity for seeing corruption in the non-Western world as pervasive and intrinsic. Bigoted predispositions among travelers, journalists, traders, and diplomats have helped sustain such impressions. This has certainly been the case when looking at how foreigners have historically looked at Turkish society and politics. A noted American scholar of the mid-20th century once seriously contended that corruption in the region possessed deep imperial roots, either as a carryover from the Byzantines or as a trait “learned from the Ottomans through example.”¹ Western prejudice, however, cannot fully account for the deep seriousness with which Turks have historically approached the issue of corruption. As a theme that spans the country's long evolution, corruption has consistently influenced Turkish citizens' perceptions of the government and spurred the republic's politicians to behave in certain ways. Corruption, both the impression and reality of it, has played a key role in the changes of several regimes over the last century.

Examples of this trend abound. Bitter memories of the Ottoman government's penchant for graft and profiteering during the Great War helped ease citizens into accepting the establishment of the Turkish Republic in 1923. By the middle of the century, the one-party regime created by Mustafa Kemal Atatürk had developed a widespread reputation for nepotism and financial malfeasance. Charges of bribery and fraud were among the important accusations that led to the overthrow and execution of Adnan Menderes, Turkey's first democratically elected prime minister. Corruption scandals habitually plagued successive governments of the late 20th century. It was arguably during the 1990s, Turkey's infamous “lost decade,” that the issue of corruption loomed largest in the country's politics. The tenure of Tansu Çiller remains synonymous with the financial and political impropriety generally associated with this era.

Corruption in Turkish politics has never derived from the presence of a few bad apples. Ever since the founding of the republic, structures put in place by successive governments have created deeply entrenched systems that are inclined toward illicit or unethical dealings. From the founding of the Turkish Republic forward, governing parties have habitually sought to institutionalize their power through the recruitment and incorporation of influential individuals, families, organizations, and businesses. Creating cadres of loyal voters and defenders (known specifically in Turkey as *kadrolaşma*) remains a critical tool for all political parties in filling regional political positions, awarding state contracts, and supplying jobs. The Turkish state's heavy hand in the economy has also contributed to the habitually high levels of corruption. Government ownership over numerous locally operated banks, as well as the maintenance of state monopolies and interests over several important industries (such as tobacco, alcohol, and opium production), have long been sources of impropriety within the economic and political world.

Turkey has historically struggled to develop effective, impartial countermeasures against corruption in the state. While laws prohibiting bribery, embezzlement, and other overt forms of unethical behavior were enacted early on in the republic's history, Turks and non-Turks have often decried the selective degree with which such laws have been enforced. State oversight of spending and procurement practices, at both a national and local level, remained relatively underdeveloped well until the end of the last century. Enacting and enforcing legislation related to money laundering has been at the heart of repeated clashes between Turkey and the international watchdog agency Financial Actions Task Force (FATF). In 1996, the FATF issued a damning report after Ankara failed to pass the necessary laws to make money laundering illegal. Even after complying with this issue demand, the FATF still placed Turkey on its "grey list" for failing to fully comply with international standards to counter the financing of terrorist organizations.²

The AKP Era: Mixed Legacies on Corruption

Corruption featured prominently within Erdoğan's first national election in 2002. The shortened name for his Justice and Development Party, "AK Parti," is a play on the Turkish word *ak*, which means "white" or "clean" and which immediately attempted to distinguish it from the dishonesty that had marked previous administrations in Ankara; similarly, the AKP's logo, a light bulb, is intended to symbolize transparency and accountability. Even though he had personally stood accused of syphoning public funds as mayor of Istanbul (charges he adamantly denied), Erdoğan vowed to govern as prime minister in a way that was transparent and accountable.³ Within the AKP's broader agenda, the promise to operate the Turkish government with clean hands fit snugly within a series of domestic and international initiatives. As a party that aspired to lead Turkey into the European Union, the AKP diligently set about passing legislation to reform the country's legal codes (especially in matters related to spending, oversight, and procurement). The AKP's administrators also committed themselves to the expansion and development of policing services to better monitor and prosecute financial-crimes and corruption cases. This new emphasis on law and order particularly benefited the Department of Anti-Smuggling and Organized Crime (KOM), which experienced rapid growth. As a leading force tasked with fighting transnational crime (including financial crimes), KOM added hundreds of new officers to its ranks and publicly promoted itself as a dispassionate law enforcer. KOM also assumed an increasingly international reputation as a trendsetter in the fight against money laundering and terror financing. Through initiatives such as the Turkish International Academy Against Drugs and Organized Crime, which trained Turkish and international officers to combat organized crime, KOM came to be held up as a regional and global model for others to follow.

Despite the accolades Ankara earned as a result of these efforts, there were other signs that the AKP administration was not fully living up to its initial promise to eliminate corruption from politics and the economy. After passing laws expressly designed to eliminate conflicting interests and to normalize Turkey's public-procurement policies, the AKP's members in the National Assembly quickly set out to eviscerate the enforcement power and oversight capability of government auditors. As economist and political scientist Esra Gurakar's intrepid research thoroughly shows, the AKP appointees reverted to the time-tested practice of using state construction contracts as a vehicle to consolidate the party's influence among voters and business leaders.⁴ While many voters celebrated the building of mass public works, such as the expansion of Istanbul's metro system or the construction of a third bridge over the Bosphorus Strait, others saw evidence of the AKP's predilection toward cronyism and self-enrichment.

Other matters pertaining to self-regulation drew international attention to Turkey. In the lead-up to Turkey's removal from the FATF's "grey list" in 2014, some within the international community continued to worry about Ankara's ability to freeze assets related to terrorism investigations and other forms of financial malfeasance.⁵ Though the FATF moved to approve Turkey as a state in compliance with most international money-laundering standards (despite deficiencies regarding asset freezing and other "minor shortcomings"), events following Zarrab's first arrest in December 2013 cast a dark pall over the AKP's commitment to rooting out corruption.⁶

Zarrab's March 2016 arrest and indictment by federal investigators further undermined the AKP's reputation in this regard. According to documents filed in federal court, Zarrab conspired with both the head of the state-owned Halkbank and then-Minister of the Economy Zafer Çağlayan to circumvent U.S.-imposed sanctions on Iran through a gold-for-gas scheme. The indictment makes extensive use of recovered communications, including e-mails and phone calls, to demonstrate the deliberateness with which the plotters sought to surreptitiously transfer funds to accounts and businesses linked to the Iranian government. While the indictment alleges that a letter, prepared on Zarrab's behalf, declared that the conspirators intended to "implement monetary and exchange anti-sanctions policies" on the behalf of Iran's government, other texts suggest that the plot also had a uniquely Turkish angle.⁷ According to transcripts of phone conversations among Zarrab, Çağlayan, and other associates, Erdoğan's desire to improve Turkey's account balance with regards to exports to Iran was a motivating factor in leading the conspirators to pursue the gold-for-gas scheme. In one meeting with the head of Halkbank, Zarrab stated his intent was to increase Turkish exports to \$4 billion, a goal he had specifically promised to Erdoğan.⁸

Corruption and U.S.-Turkish Relations

American policymakers have long agonized over the relevance of corruption within U.S. foreign policy. To a large extent, it is often treated as a matter external to the relationship with a number of longtime partners. Within the context of U.S. ties to Ankara, the question of corruption has emerged before. Until recently, the two nations have managed to deal with the issue in relatively constructive ways. For much of the 20th century, American diplomats and law-enforcement agents lobbied their Turkish counterparts to improve the government's oversight of the country's opium industry. Though at times fraught with disagreement and suspicion regarding the efficacy and honesty of Turkey's opium-control measures, the dialogue and assistance between the two countries did result in a more rigorous system that prevents officials, cultivators, and drug traffickers from diverting Turkish opium into the illicit heroin market. U.S.-Turkish cooperation on matters related to law enforcement particularly grew during the George W. Bush and Barack Obama administrations. Specifically, Washington has relied on the Turkish International Academy Against Drugs and Organized Crime as a school to train officials from other allied nations as well, like in Afghanistan and countries along the Black Sea.⁹

Recent developments suggest that this working relationship is in serious jeopardy in a number of ways. The systematic purging of law enforcement and judicial officials on a mass scale raises serious questions regarding the efficacy and independence of Turkish law enforcement. Reports within the Turkish media, in addition to public statements made by Erdoğan and other ranking officials, raise the specter of a new Turkish law-enforcement system that will be heavily influenced by the AKP and its policies. In addition to posting noted Erdoğan loyalists in key positions within Turkey's Interior Ministry, there are indications that party connections will be used as a criterion for staffing the lower ranks of the bureaucracy.¹⁰ While the politicization of law enforcement and the judiciary is not unprecedented in Turkey, this trend within the recruitment of officials makes it more likely

that party interests will influence future investigations and prosecutions. With respect to financial crimes, U.S. State Department representatives have recently sounded serious alarms about Ankara's reliability. In 2016, the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) lamented Ankara's unwillingness to freeze or seize assets related to money laundering (especially in terrorism-related investigations) and labeled Turkey's criminal procedures and practices "primitive."¹¹

Still other signs point to the possibility that the failings of Turkey's legal and law-enforcement institutions will continue to reverberate beyond the country's borders. Erdoğan's blunt rejection of the charges brought against Zarrab points to the possibility that Ankara will continue to act in ways that contravene U.S. law and international norms. In 2015, Ankara altered its customs code to allow visitors to Turkey to bring in unlimited amounts of cash without declaring it at the border.¹² While such activity may not necessarily reflect wrongdoing, this rule change alone makes Turkey more vulnerable and more attractive to terrorists and criminals who need banks and businesses to launder money. With the possibility that the Turkish financial system may, wittingly or not, be abetting the activities of terrorist organizations (a possibility raised in the INL's 2016 statement), the implications of Turkey's regressive behavior appear all the more grave.

Regardless of the outcome of the Zarrab case, it is possible that there are similar sanction-busting schemes looming. Recent news reports documenting several spikes in gold trading between Turkey and the United Arab Emirates have drawn suspicions that a comparable gold-for-oil scheme may be in the offing.¹³ While it is possible that there are genuinely innocent explanations for this curious pattern of trade (such as the United Arab Emirates' desire to hoard gold in the event of a regional crisis), the current tensions and suspicions that define U.S.-Turkish relations make it difficult to ascertain the true nature of these economic trends.¹⁴

This inability to completely trust Ankara's willingness to abide by international norms, and maintain an impartial or effective legal and policing system, should greatly concern American policymakers. Turkey's backslide on matters of law and order appears increasingly to be deliberate, systemic, and permanent. While the personal gain of individuals within the AKP establishment may be influencing this turn, it is clear that the current government has constructed a corrupt order that benefits a host of actors beyond Erdoğan's inner circle. Even if one is to ignore the Zarrab case, there is sufficient reason to believe that Ankara sees the weakening of its legal and policing structure as an effective means of boosting economic growth and strengthening ties with its neighbors, specifically those with an adversarial relationship to the West. The effect of this on the future of U.S.-Turkish relations, as well as the greater Middle East, should not be underestimated. Taken as a whole, these weaker law-enforcement structures should be seen as further evidence that Turkey's foreign policy interests are not simply misaligned with those of the United States, but mutually antagonistic. It should no longer be assumed that Ankara's self-interested pursuits will also be in keeping with the rule of law.

These macro-considerations will undoubtedly prompt policymakers across the world to make difficult choices in the months and years ahead. The potential for Iranian officials, international drug traffickers, and radical terrorist groups to utilize Turkish institutions should draw greater scrutiny, and perhaps punitive action, from American officials and lawmakers. The continued degradation and politicization of Turkey's police, legal structures, and intelligence institutions may lead many in Washington to think twice about intelligence-sharing or security-cooperation efforts. Depending upon the outcome of the Zarrab case, as well

as Erdoğan's implicit opposition to U.S. economic sanctions on Iran, it is likely that there may be more federal investigations into Turkish political and business interests to come.

These practical considerations and hazards beg the question: How can the United States and Turkey genuinely function as allies? Altogether, these conditions, as they now stand, make it more likely that the relationship could take an adversarial turn sooner rather than later. It is certainly quite possible that the growth of corruption and the weakening of legal and law-enforcement institutions in Turkey are not part of any grand design or strategy. Yet even if one looks at these trends as the unfortunate fallout of the instability that has afflicted Turkey and the region as a whole, there is good reason for American policymakers to be worried. While Turkey's standing in groups like Freedom House and Transparency International continues to sink, there is no indication that there are any guardrails those groups can impose to prevent Turkey from behaving in ways contrary to U.S. interests or international norms.¹⁵

It would be a grave mistake to consider the United States powerless to confront such a downturn. If there is one solution that has proved generally effective in improving the dependability of Washington's foreign relations, it is sunlight. Congress has the ability to review and critique the behavior of foreign allies and adversaries. Publicly pointing out gross acts of economic or commercial malfeasance in Turkey as well as sanctioning individuals and parties that harm U.S. interests are some of the most valuable tools there are in reversing the kind of trends Turkey is experiencing.

The longer Washington ignores the Erdoğan government's behavior, which is undermining American diplomatic efforts in the greater Middle East, the harder these trends will be to reverse. As corruption continues to overtake Turkish institutions, and defines how the country engages its neighbors, Turkey will likely add to the instability in the region as a whole. Should the AKP government collapse due to the deterioration of its institutions and credibility, the impact on the Middle East and regional peace will be devastating.

Endnotes

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