

**NATIONALIZATION OF THE DEFENSE INDUSTRY IN TURKEY:
2003-2017**

A THESIS SUBMITTED TO
THE GRADUATE SCHOOL OF HUMANITIES AND SOCIAL SCIENCES
OF
İSTANBUL ŞEHİR UNIVERSITY

BY

AYŞE İREM AYCAN ÖZER

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR
THE DEGREE OF MASTER OF ARTS
IN
POLITICAL SCIENCE AND INTERNATIONAL RELATIONS

AUGUST 2017

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Arts in Political Science and International Relations.

Examining Committee Members:

	DECISION	SIGNATURE
Assist. Prof. İsmail Yaylacı (Thesis Advisor)	<u>Accepted</u>	<u>İsmail</u>
Assist. Prof. Süleyman Elik	<u>Accepted</u>	<u>Süleyman</u>
Assist. Prof. Hüseyin Alptekin	<u>Accepted</u>	<u>Hüseyin</u>

This is to confirm that this thesis complies with all the standards set by the Graduate School of Humanities and Social Sciences of İstanbul Şehir University.

Date

28.07.2017

Seal/Signature



I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

First Name, Last name :

Ayşe İrem AYCAN ÖZER

Signature :



ABSTRACT

NATIONALIZATION OF THE DEFENSE INDUSTRY IN TURKEY: 2003-2017

Aycan Özer, Ayşe İrem

MA in Political Science and International Relations

Thesis Advisor: Assist. Prof. İsmail Yaylacı

August 2017, 106 pages

This thesis elaborates on the nationalization of Turkish defense industry since the invasion of Iraq in 2003. The objective of this thesis is to understand what explains the recent increasing trend of nationalization of the defense industry in Turkey. It firstly analyzes the regional conjuncture and lack of trust in allies so as to show how it influences Turkey's investments in the sector. Then, it moves on to explain the domestic structure of the country which enables and inspires the politicians to attribute greater importance to industrial self-reliance in defense. Lastly, it focuses on the political economy of the defense industry and how big of an economy the sector generates at the global level and for Turkey. This thesis concludes that focusing on developing modern technology and production of specific arms of defense is more beneficial for Turkey's future and position in the international market.

Keywords: Defense Industry, Nationalization, Action-Reaction Model, Domestic Structure, Export License, Technology Transfer

ÖZ

TÜRKİYE’DE SAVUNMA SANAYİİNİN MİLLİLEŞMESİ: 2003-2017

Aycan Özer, Ayşe İrem

Siyaset Bilimi ve Uluslararası İlişkiler Yüksek Lisans Programı

Tez Danışmanı: Yrd. Doç. Dr. İsmail Yaylacı

Ağustos 2017, 106 sayfa

Bu tez çalışması Türk savunma sanayisinin 2003 Irak işgalinden itibaren millileşmesini etraflıca incelemiştir. Bu tez, savunma sanayiinde son zamanlarda artış gösteren millileşme eğiliminin sebeplerini anlamayı amaçlamaktadır. İlk olarak bölgesel konjunktürün ve müttefiklere olan güvensizliğin Türkiye’nin sektöre olan yatırımlarını nasıl etkilediği analiz edilmiştir. Ayrıca siyasetçilere sektörde yerleşme olanağı sağlayan ve onları savunmada yatırım yapmaya teşvik eden devletin yerel yapısı incelenmiştir. Son olarak, savunma sanayisinin politik ekonomisi ve sektörün küresel düzeyde ve Türkiye için ne kadar büyük bir ekonomi meydana getirdiği üzerinde durulmuştur. Bu tez, modern teknoloji geliştirmeye odaklanmanın ve belirli bir savunma aracı üretmenin Türkiye’nin uluslararası pazardaki geleceği ve konumuna daha faydalı olacağı sonucuna ulaşılmıştır.

Anahtar Kelimeler: Savunma Sanayi, Millileşme, Aksiyon-Reaksiyon Modeli, Yerel Yapı Modeli, İhraç Lisansı, Teknoloji Transferi

To my husband, Ahmet Ubeydullah Özer,
who has supported me in every step of the way

TABLE OF CONTENTS

Abstract	iv
Öz	v
Dedication	vi
Table of Contents	vii
List of Tables.....	ix
List of Figures	x
List of Maps	xi
List of Abbreviations	xii
CHAPTERS	
1. INTRODUCTION	1
1.1. Methodology.....	3
1.2. Thesis Overview	4
2. LITERATURE REVIEW	7
2.1. Political Economy of the Defense Industry	10
2.2. Transnationalization of Arms Production	16
2.3. Use of Arms as a Political Tool	19
2.4. Trade-offs of Developing a National Defense Industry	22
3. APPLICATION OF ACTION-REACTION MODEL	27
3.1. Turkey in the Regional Conjuncture	28
3.1.1. A Historical Outlook at Turkey's Security Perspective	28
3.1.2. Changing Conjuncture Boosting Economic Integration with the Region	31
3.2. Regional Arms Race.....	35
3.2.1. Sectarian Conflict	36
3.2.2. Arab Uprisings	37
3.2.3. Going Deep into the Regional Rivalries.....	40
3.3. Deteriorating Relations with Israel	43
3.4. Stuck Within ISIS-PKK-PYD Triangle	45
3.4.1. NATO Patriots	49
3.4.2. Operations against ISIS.....	50

4. APPLICATION OF DOMESTIC STRUCTURE MODEL	53
4.1. Meaning of the Defense Industry for Politics	54
4.2. Electoral Politics	55
4.2.1. Ruling Party: AKP	56
4.2.1.1. 2023 Vision	59
4.2.2. Opposition Parties	60
4.2.2.1. CHP	60
4.2.2.2. MHP	61
4.2.2.3. HDP	62
4.3. Externalities of National Defense Industry	63
4.3.1. Positive Externalities	63
4.3.2. Negative Externalities.....	66
5. THE POLITICAL ECONOMY OF MILITARY DEFENSE INDUSTRY	69
5.1. Effect of Arms Industry on Economy	70
5.2. Military Expenditures in the World and in the Region	71
5.2.1. Economy of the Military Industry in the World	74
5.3. Military Spending of Turkey	78
5.3.1. Economy of the Military Industry in Turkey	80
5.3.2. Problems Associated With Non-national Defense Industry	84
5.4. The Importance of Political Economy of the Defense Industry	88
6. CONCLUSION	89
BIBLIOGRAPHY.....	94

LIST OF TABLES

Table 3.1. Military Expenditure by Country in the Middle East (US\$ million)	38
Table 4.1. Budgets of Ministries in 2016 (TL).....	66
Table 5.1. Share of Military Expenditure in GDP (%)	74
Table 5.2. Export Figures on Sectoral Basis-1000\$	81
Table 5.3. The Sectors with Most Enhanced Volume of Exports in November	82



LIST OF FIGURES

Figure 3.1. Turkey's Exports to Iraq (million USD)	33
Figure 3.2. Turkey's exports to MENA and Europe-Central Asia	34
Figure 3.3. Share of MENA and Europe-Central Asia within Turkey's exports	35
Figure 3.4. Military Expenditure per capita by Region (million USD)	38
Figure 4.1. R&D Spending in Defense Industry (million \$).....	65
Figure 5.1. World Military Spending (billion USD)	72
Figure 5.2. Military Spending Across Regions	73
Figure 5.3. Top 10 Countries' Share of International Arms Exports (2011-2015) (%)	75
Figure 5.4. Global Arms Deliveries in 2015 (billion USD)	76
Figure 5.5. Turkey's Military Spending (billion \$)	80
Figure 5.6. Turkey's Exports in Defense (million USD).....	81
Figure 5.7. Price per Kilogram in Export (2015) (\$).....	82
Figure 5.8. Percentage of Sectors in Exports and Prices per Kilogram in 2016	83

LIST OF MAPS

Map 3.1. Influence Zones of Insurgents and States across Southern Border of Turkey
..... 39



LIST OF ABBREVIATIONS

ASELSAN:	Military Electronic Industries
BMD:	Ballistic Missile Defense
FSA:	Free Syrian Army
GPI:	Global Peace Index
ISIS (ISIL):	Islamic State of Iraq and Syria (Levant)
İTO:	Istanbul Chamber of Commerce
JSF:	Joint Strike Fighter
KAP:	Public Informing Platform
KRG:	Kurdish Regional Government
NATO:	North Atlantic Treaty Organization
PKK:	Kurdistan Worker's Party
PYD:	Democratic Union Party
SASAD:	Defense and Aerospace Industry Manufacturers Association
SIPRI:	Stockholm International Peace Research Institute
SSM:	Undersecretariat of Defense Industries (UDI)
TAF:	Turkish Armed Forces
TİM:	Turkish Exporters Assembly

CHAPTER I

INTRODUCTION

Dear Mr. Prime Minister,

I am gravely concerned by the information which I have had through Ambassador Hare from you and your Foreign Minister that the Turkish Government is contemplating a decision to intervene by military force to occupy a portion of Cyprus. I wish to emphasize, in the fullest friendship and frankness, that I do not consider that such a course of action by Turkey, fraught with such far reaching consequences, is consistent with the commitment of your government to consult fully in advance with the United States. Ambassador Hare has indicated that you postponed your decision for a few hours in order to obtain my views. I put to you personally whether you really believe that it is appropriate for your government, in effect, to present an ultimatum to an ally who has demonstrated such staunch support over the years as has the United States for Turkey. I must, therefore, first urge you to accept the responsibility for complete consultation with the United States before any such action is taken...

Furthermore, a military intervention in Cyprus by Turkey could lead to direct involvement by the Soviet Union. I hope you will understand that your NATO allies have not had a chance to consider whether they have an obligation to protect Turkey against the Soviet Union if Turkey takes a step which results in Soviet intervention without the full consent and understanding of its NATO allies...

I wish also, Mr. Prime Minister, to call your attention to the bilateral agreement between the United States and Turkey in the field of military assistance. Under Article IV of the agreement with Turkey of July 1947, your government is required to obtain United States consent for the use of military assistance for purposes other than those for which such assistance was furnished. Your government has on several occasions acknowledged to the United States that you fully understand this condition. I must tell you in all candor that the United States cannot agree to the use of any United States supplied military equipment for a Turkish intervention in Cyprus under present circumstances.

Moving to the practical results of the contemplated Turkish move, I feel obligated to call to your attention in the most friendly fashion that fact that such a Turkish move could lead to the slaughter of tens of thousands of Turkish Cypriots on the island of Cyprus. Such an action on your part would unleash the furies and there is no way by which military action on your part could be sufficiently effective to prevent wholesale destruction of many of those whom you are trying to protect. The presence of United Nations forces could not prevent such a catastrophe.

... As I said to your Foreign Minister in our conversation just a few weeks ago, we value very highly our relations with Turkey. We have considered you as a great ally with fundamental common interests... I must, therefore, inform you

in the deepest friendship that unless I can have your assurance that you will not take such action without further and fullest consultation I cannot accept your injunction to Ambassador Hare of secrecy and must immediately ask for emergency meetings of the NATO Council and of the United Nations Security Council.

I wish it were possible for us to have a personal discussion of this situation. Unfortunately, because of the special circumstances of our present constitutional position, I am not able to leave the United States. If you could come here for a full discussion I would welcome it. I do feel that you and I carry a very heavy responsibility for the general peace and for the possibilities of a sane and peaceful resolution of the Cyprus problem. I ask you, therefore, to delay any decisions which you and your colleagues might have-in mind until you and I have had the fullest and frankest consultation.

Sincerely.

LYNDON B. JOHNSON

On June 5, 1964, American President Johnson's letter to Turkish Prime Minister Inonu strained the relations between the two countries. The letter marks a turning point in Turkey's foreign policy, the perception of security and national defense. The crisis created by the disagreement over how to deal with the island led the unilateral intervention of Turkey in 1974 by sending land troops to Cyprus. As a result, the United States placed an embargo on Turkey. It led Turkey to search for ways to sustain self-sufficiency in country's defense.

This incident was a clear proof that the defense industry of a country is the only sector that is closely related and directly linked to the international relations. Because in the anarchical international system it is the defensive power of the state that determines its security and sovereignty. And such a power can be sustained by a self-reliant defense industry. Even though Turkey had tried to nationalize its defense after the crisis of 1974, these early periods of nationalization are studied in previous works. However, Turkey's efforts of nationalization after 2000's are not covered enough in academic texts. Hence, nationalization of the defense industry in Turkey in 2000's is a subject that needs to be studied.

In this thesis, my research question is what explains the increase in the share of national production in Turkey's military capabilities after the invasion of Iraq in 2003. The period I am going to concentrate on will start with the invasion of Iraq which is

followed up by the sequence of events that affected Turkey's national security. In that regard, my thesis will be filling a periodic void. Even though there were attempts to establish a national defense industry before 2003, recent efforts are different as nationalizing critical components are also the goal.

The power vacuum that occurred in Iraqi territory after the American invasion; lack of a central government which divided Iraq into three; and the formation of Kurdish Regional Government (KRG) in the Northern Iraq of which Turkey is suspicious because of its possible effect on independence movement inside Turkey are all reasons concerning Turkey's security deeply. Breakdown of relations with Israel is another critical juncture as it prevented Turkey from using the surveillance technology provided by Israel. This case, in particular, speeded up the production of Turkey's own unmanned aerial vehicle (UAV).

Another turning point for Turkey was Arab uprisings that turned into a civil war in case of Syria. The fact that the regime in Syria was starting to threaten Turkey's interests and security pushed Turkey to change its policy towards Syria drastically. Moreover, the power vacuum in Syrian territory added to the one in Iraq and brought into being ISIS that constitutes both an internal and an external threat for Turkey. As there is a point of contention regarding how to fight with it among countries in the anti-ISIS coalition, Turkey from time to time acts unilaterally to fulfill its interests. The same applies to Turkey's struggle with the PKK as Turkey's allies in the West do not consider the PKK as a terrorist organization. Hence, Turkey wants to follow its independent strategy against the PKK. Since the arms suppliers lay down conditions on use of their weapons, Turkey seeks alternative ways. As a result of all the arms race, terror and sectarian conflict in the geography, Turkey is committed to developing a national defense industry with a domestic technology which will enable it to act according to its interests.

1.1. Methodology

My study relied on both Turkish and English resources. In the literature, I looked at the relationship between military defense expenditure and country's growth, and its

social implications. I studied the international arms dynamic and how it affects the foreign policy of countries. I reviewed newspaper articles since they give updated information which is not covered yet in academic texts. The reports of Undersecretariat of Defense Industries (UDI) were particularly important as it is the most important domestic institution putting defense projects out to tender. It provides the first-hand information in the field of defense industry. Reports of SASAD and TÜBİTAK also highlight the investments and developments in the sector. The data of NATO, SIPRI, IHS Jane's, and AT Kearney have provided information both on the country basis and about the international arms market. These are all prominent institutions in local and in global scale so they can provide with this research valuable and accurate information. Moreover, I used professionals' opinions I gathered through personal interviews that I had conducted. Since they were familiar with the practices, they were able to shed light on areas that are not made public.

I used process tracing and looked at the critical junctures in Turkey's recent history deeply affecting Turkey's security and propelling it to strengthen its national defense industry. I applied two theoretical approaches to this study. Domestic structure model and action-reaction model are the two approaches explaining the nationalization in defense sector which helped me understand the theory in general and explain Turkish case in particular. States are the unit of analysis as the decisions taken at the state level are the actual cause of the developments which inspired the study of this research. I used both quantitative and qualitative resources. Quantitative indicators revealed the strength of the change and developments in the defense industry through figures, charts, and tables. Qualitative indicators were helpful in understanding the importance of the change by examining selected cases.

1.2. Thesis Overview

In the beginning of 2000's, Turkey had external surrounding conditions, domestic motivation and financial resources necessary to start an industrial self-reliance in defense which is not without its own challenges. Military spending of Turkey was \$17.685 billion in 2003 and \$17.669 billion in 2015 which shows no dramatic change in terms of expenditures. (SIPRI, 2016) Although the amount of spending remained

nearly the same, domestic production was able to meet the 25% of TAF's needs in 2003 which reached up to 60% in 2016. (SSM Performance Programme, 2016, p.4) Since there is no increase in the actual amount of spending the detail that draws attention is the reason behind the increase in the share of national production. So as to explain it, the literature review which will be discussed in the second chapter is going to analyze why countries nationalize their defense industry. The internal and external conditions that motivate states to become self-reliant in defense will be underlined in this section. I will review the literature of arms production, arms and defense industries, defense spending and economic growth in this chapter in order to come up with explanations that clarify Turkey's recent investments in the sector.

In the third chapter, I will be analyzing how Turkey is influenced by the invasion, regional sectarian conflicts, Arab uprisings, relations with Israel, Syrian civil war, emergence of ISIS and re-emerging PKK. These are critical junctures in Turkey's recent wave of nationalization because together they present a national security threat to Turkey. In this context, I will also look how the diverging interests with its allies pushed Turkey to sustain its own security. Choosing self-reliance over cooperation with allies is significant since it presents a deviation for Turkey from its old security approach.

In the fourth chapter, I am going to concentrate on the domestic factors that led to the development of a national defense industry. I will predominantly examine the role of electoral politics and the way politicians use the matters of defense and security in their election campaigns. Hence, I will be making a textual analysis of party declarations. Spillovers of national defense industry will also be part of this chapter as its effects in other areas are going to influence the domestic structure of Turkey through increasing employment and spreading technology to other fields which will boost overall development of the country.

Chapter five will delve into the political economy of the defense industry in the world and in Turkey respectively. Seeing that it benefits the economies of countries that produce and sell defense equipment more than any other sector, Turkey as a growing

economy could not keep aloof from engaging in the process. This chapter will provide a detailed analysis of how Turkish economy is influenced by national arms development. It will elucidate on the economic and strategic difference between procuring from foreign suppliers and producing the same defense of arms domestically.

Chapter six will make an overall summary of the thesis. I will show what I have found about nationalization of the defense industry in Turkey. Although the two models explain Turkey's nationalization to an extent, in some respects the case of Turkey runs counter to the arguments presented in the literature. After pointing those out I will conclude by proposals for future studies which can shed further light on changing security perceptions in the world and in Turkey.

CHAPTER II

LITERATURE REVIEW

In international relations theory states are generally taken to be the main actors, and there is no higher authority like a world government to regulate their relations among nation-states that create an anarchy in the system. The interaction among states in this anarchical environment is shaped by the power of each state. In order to protect their sovereignty states turn to use force either by themselves and by their allies according to realists or through other measures such as international law and institutions according to liberals. From a realist perspective, when states do not dread retaliation they cannot be deterred from attacking another country and this deterrence is guaranteed by their military power. As Mearsheimer (2001, p.33) suggests in the self-help system of international anarchy it is up to individual states to maximize their power to defend themselves. On the contrary to liberals' claim about cooperation, political history proved that when it comes to national security cooperation of all kinds can come to a halt. This is why Kolodziej (1990, p.20) argue that history and past events should be the basis of security studies and the source of reference for the actor behavior.

When security is the main topic of discussion, we can look at the use of violent and non-violent means. Whereas violent means is comprised of military measures non-violent means consist of diplomacy and other soft power measures. (Kolodziej, 2005, p.22) As the question this thesis will answer is what explains the recent trend of nationalization in Turkey's defense industry, I will be dealing with security not in its diplomatic sense but in its military sense.

According to Paul R. Viotti (1994, p.3) national defense must be studied through looking at the international context that affects a nation's security, its bureaucracy, agencies and decision makers. Colin Gray (1971, p.71) and Buzan and Herring (1998, p.103) Kenneth Boutin (2009, p.227) on the other hand suggest two models that explain the arms dynamic of a state which is telling about its national defense

strategy, and these are action-reaction model and domestic structure model. The claim of "action-reaction model" is that states increase their military power either to increase security in the face of threats coming from rivals or to fulfill their interests that run counter to the interests of others. (Buzan and Herring, 1998, p.83) In the international system states are always on alert as to who poses a threat to their security and the sense of threat sharpens the action-reaction model. Gray (1982, p.164) approaches to this sense of insecurity explained by Buzan and Herring from a different perspective. He says that states might act upon the perceived threats emanating from behaviors of others but these might also be misperceptions. For instance, country A might increase its military power out of security concerns not to threaten or attack country B. But country B will feel concerned about the militarization of the country A and start strengthening its own military. This indicates the misperception of country B. However, on the other hand this security dilemma is a reality of the international system. And it is actually what the action-reaction model is all about. The action of country A is creating the reaction of country B. Such a vicious circle is the driving force behind the military build-up of states and the world-wide arms race. To sum up, action-reaction model prioritizes the international context which gives a state reason and motivation to increase its military power.

Nationalizing the defense industry is also preferred by any country since it will end the dependency stemming from reliance on other countries. It will as a result sustain national sovereignty (Boutin, 2009, p.227) As opposed to those in favor of increased militarization, others see the destabilizing effect of proliferation of arms in the world and also its negative socio-political implications at domestic level. Destabilizing effect of arms build-up derives from the ultimate result of the process which is arms race. Boutin (2009, p.230) remarks that the urge to catch-up with the military capabilities of rivals encourages investment in national R&D. Ram (1993, p.28), Viotti (1994, p.4), and Buzan & Herring (1998, p.48) too point out that when some countries build up military power it induces others to participate in the arms race lest they will be vulnerable in the face of increasing armaments of others, and this interaction which creates a world-wide effect is called "world military order." The adverse effects of the arms race can be seen both in international and national levels. At the international

level, it creates a constant fear of war; it hurts the cooperation between states; decreases the budget for aid which can improve the conditions in LDCs; influences the foreign policy which is shaped in great amount by security concerns. (Thee, 1981, pp.52-53) As UN Group of Consultant Experts including S. A. Consalvi, H. de Haan, D. Djokic et al. suggest "the creation of spheres of influence, local regional or global, and sometimes interference, direct or roundabout, in the domestic affairs of other states becomes a natural corollary of a world-wide arms race." (Thee, 1981, p.45)

Whereas the action-reaction model is looking at the international context and external factors "domestic structure model" completes it by focusing on the internal and domestic dynamics that encourage states to promote militarization of the country. The latter explains the variables such as electoral factors, military-industrial complex of a specific country, and economic management of the government. Electoral politics is an important component of a country's domestic structure. It can encourage politicians to promise new investments and jobs in the defense industry which increase their appeal to the electorate. (Buzan and Herring, 1998, p.108) Additionally, politicians, industry owners and journalists might promote the "national preparedness syndrome" and use it as an electoral tool which Gray (1971, p.75) calls the epidemiological argument. Similarly, Buzan and Herring (1998, p.101) state that the threats stemming from the behavior of the rivals might be useful for politicians' agenda of increasing the military power of the country. These are important tools to forge a domestic unity which during the time of elections come in mighty handy for politicians. Because when politicians show that they are invested in the victory and glory of the country they manage to draw people's attention. The claims of the politicians in this regard does not have to be based on electoral calculations it might actually stem from military weakness that leave the state vulnerable in case of crisis and conflict. It can be seen in cases of regional military conflicts that jeopardize Turkey's security such as the war in Syria and attacks by ISIS. There are real problems stemming from such threats in the region and they give Turkish statesmen a reason to increase country's military power. It saves them from the trouble of making promises without solid ground. Because when a country is inferior in terms of its military capacity "no option is believed open other than to strain all resources to

attain a better military balance". (Gray, 1971, p.64) Even when there are no tangible threats to country's security Gray (1971, p.41) argues that promises of military investment are still important for domestic politics since it creates a political tranquility through the honor of national glory.

Although military investments are an important tool of electoral politics, they also have a considerable impact on the country's economy. It might have advantages or disadvantages but it depends on the country in question. However, the explanations in the literature can be helpful in understanding the certain conditions required to observe positive or negative impacts of defense spending.

2.1. Political Economy of the Defense Industry

Military expenditures might have two opposite impacts on a country's economy depending on the context. It might either stimulate a positive or a negative impact. Its effects are positive if the country has enough economic resources and it does not have to cut down on the financing of other public expenditures such as health, education, transportation services that directly serve the public interests. In such a case, a country does not have to reduce the spending on socially constructive projects that improve the welfare in the short-term. Moreover, it can reap the fruits of investing in the military industry in the long-term as military projects require long time to develop. So it does not have to give up on any of the benefits provided by investing in different sectors. However, the research also shows that military expenditures might have a reverse effects on the economy. (Lebovic and Ishaq, 1987; Karaosmanoglu & Kibaroglu, 2002; Dritsakis, 2004) It particularly applies to economically developing countries which have to procure the expensive defense of arms from the countries who produce them or who initiate the process of producing arms for themselves. When they import, it creates a balance of payment problem for the economy. When they want to produce nationally, they canalize a great amount of money into making weapons. It steals from the resources of civilian use for a spending that will not serve economic growth or public benefit. (Dritsakis, 2004, p.251) This is a condition that applies to countries which are short of budget and in need of constructive reforms.

There are four approaches regarding the relationship between military expenditure and economy. The first one is military Keynesianism which suggests that military spending stimulates the economy if the country itself produces the military materiel rather than spending the money on procuring from foreign suppliers. (Dunne, 2011, p.1) When the demand is insufficient, the state uses military expenditures as part of any other public expenditure which stimulates the economy and causes an increase in production. (Buzan and Herring, 1998, p.35; Dunne, 2011, p.2; Duyar & Koçoğlu, 2014, p.710) It also assumes that military spending enhances capacity utilization by increasing profits, investment, and growth. (Baran and Sweezy, 1966 in Dunne) Ram mentions that defense programs can benefit the civilian economy through spillovers for other industrial sectors and improve the conditions for the overall economy. (Ram, 1993, p.28) Hence, benefits of increased military spending is not limited by a militarily stronger country. Commercial spin-offs contribute to development of non-military industries and to increase of employment opportunities. (Viotti, 1994, p.4) As a result, an increase in military spending brings about utilization of capital stock, higher investments, and employment especially in an environment where a country experiences economic stagnation. These are seen by Yıldırım et al. (2005, p.284) as the stimulative effects of increased military expenditures. Moreover, it is also accepted that the developed countries who include military expenditures into public spending use it to strive recession in a time of crisis. ("World Military Spending — Global Issues," 2013)

The second is the Neo-classical model which sees military expenditures as a public good. It suggests that the state is a rational actor deciding upon the military spending depending on the costs and benefits it has on national interests. (Duyar & Koçoğlu, 2014, p.710) Biswas and Ram developed this model drawing on Feder's work on the impact of exports in growth. (Biswas, 1992, p.6) They (1986) suggest that military outlay has a positive effect on economic growth of Less Developed Countries (LDCs). (Biswas, 1992, p.10) In general, from the perspective of the neo-classical model, a country maximizes the wellbeing of the society through investing in security which is an important component of welfare. (Dunne et al., 2008, p.294)

The Marxist approach is the third model which has a difference of opinion regarding the issue. Some see military expenditures as a way of perpetuating capitalism whereas military-industrial complex theory emphasizes that there is only a section of the capitalist class that benefits from the military expenditures at the expense of the rest. (Coulomb & Bellais, 2008, pp: 355-358) Overall, it focuses on the class conflict perpetuated by the military industrial complex. According to this argument, militarism or patriotism may be employed by the capitalist class or the state in order to reduce the militancy of the labor class but exacerbating the class conflict within the process. (Cypher, 1987, p.307) Marxist model does not claim that military expenditures have pure positive or negative impacts. R. P. Smith (1976) and Ron Smith and Dan Smith (1983) stress the positive effects of military expenditures on "international accumulation and negative impacts on investment, R&D, and productivity." (in Riddell, 1986, p.579)

The last is the institutionalist model which emphasizes that there are firms, corporations, and individuals that benefit from military expenditures and they will form lobbies which might induce the government to make military expenditures even though when it is not for the benefit of the country. (Karaosmanoglu & Kibaroglu, 2002, p.711; Dunne, 2011, p.3) The role played by the industry owners who have a stake in the promotion of military build-up is the essence of military-industrial complex. Even when national security is not at risk members of this complex might encourage the state to make investment in the field of defense for their own economic gains by neglecting what might actually be for the good of the country. An economic analysis of Snyder's perspective corresponds to this institutionalist approach to military expenditure. As Snyder (1991) says in his *Myths of Empire* such interest groups formed by ruling classes and their elite ideologies have the power to present what is at stake as if it is a matter of national security even if it is in their personal, or group, favor. This is why P. W. Singer (2004, p.170) calls them "profit-motivated agents". And in order to protect their pecuniary interests they use their power to influence the "political and social conditions" and work with the fears of the society by keeping it alive which undermines the efforts of disarmament. (Thee, 1981, pp.51-52)

While analyzing the institutionalist model, Ram emphasizes another aspect of military-industrial complex by pointing out that "upper-income classes may gain more from defense outlays than lower-income people. Such a pattern may make intra-country income distribution worse." (Ram, 1993, p.28) Furthermore, it might pave the way for excessive militarization and promote military intervention in other countries. (Ram, 1993, p.27) So as to show how influential the military-industrial complex in determining the foreign policy of the USA Chomsky (2004, p.82) refers to it as "the core of the modern economy and American foreign policy."

The introductory statements made by four models of military expenditure can be further discussed with their impacts on a country's economy. In countries' defense heavy arms are used less than small arms but they are expensive to create. Hence big items like tanks and ships produce the economies of scale question for producer countries even if they are not bounded by budgetary restrictions. So as to tackle this problem producers intend to sell in order to lower the unit costs which push them to look for export markets. (Buzan & Herring, 1998, p.35) It can be turned into economic capabilities for those who export their military products but on the other hand it causes economic losses for countries that have to import such materiel or spend too much on the national development of these items. Positive effects can be assessed in two ways. Firstly, supplier countries extricate themselves from importing expensive weapons as it is produced domestically. So they save foreign exchange. Secondly, they fix the balance of payment problem and answer the economies of scale question through selling what they have.

Above-mentioned two effects generate more positive externalities. As there is more production to meet both the local and international demand for weapons, it will improve the local employment levels which become the tool of electoral politics. However, it is also criticized for absorbing the skilled labor which could be used for socially productive purposes. In other respects, the skilled personnel of the military such as pilots, technicians, health professionals during their services and after retirement can be of service to civilians. (Ram, 1993, p.29) Since these professionals receive general education they increase the quality of society's human-capital. (Ram,

1993, p.29) If we look at the issue from a different standpoint, it is possible to see the utility of trained military personnel for the society in general. For instance, they can serve better during the natural disasters with their ready equipment and soldiers since they are always on alert and constantly trained under harsh circumstances. (Ram, 1993, p.30; Archer & Annette, 2012, p.30) On the other hand, technology produced in the military research can be used in the civilian sectors as well. "Military innovations in air transportation, nuclear power generation, radar usage, space technology and other areas have been adapted to civilian use and constitute an important spillover of defense expenditure." (Ram, 1993, p.28)

Positive externalities of defense spending are not limited by these. When a state makes high levels of investment in its military it also takes good care of what it's human-capital has tried so hard to build hence it tries to facilitate communication for military units through constructing "roads, bridges, communications network, airports, water works and townships." (Ram, 1993, p.30) Even though some of these services are exclusive to military usage, civilians too have access to many of them.

A strengthened national defense forms a secure social setting and a credible economic environment too. (Ram, 1993, p.30) As a result of that the country is perceived to be a destination for investment through building trust towards country's future. This attracts long-term investments of both the foreigners and the locals which improves the economic growth. On the contrary, when a country is not seen as a safe haven for investments it cannot draw money in and that is what makes the security spillover a positive effect of military spending. Ram explains the economic importance of the sector with the following statement:

If the defense sector is technologically more advanced than the rest of the economy, it could act as a "modern" sector that may facilitate overall growth. In particular, if input productivity is higher in defense than in the rest of the economy, expansion of defense outlays may improve growth rate ... since defense output is a part of total product (GNP or GDP). An empirical assessment of the presence and the magnitude of such an effect however indicate a somewhat uncertain picture. (Ram, 1993, p.31)

Therefore, scholars studying on the effects of defense spending on economy work with case studies and measure its impacts on a country basis rather than reaching to all-encompassing conclusions.

Even though the positive spillovers are widely discussed, negative spillovers worth attention as well. Apart from the arguments presented by the military-industrial complex which focus on certain group interests, defense spending can in fact harm the overall wellbeing of the society. Because when a country's defense spending is not proportional to the size of its economy, it will actually have a reverse effect. In case of developing or less developed countries, military expenditures are of secondary importance compared to more urgent socio-economic programs. If countries with limited economic resources choose to divert capital from other sectors just to develop a national defense industry it will stir up negative socio-economic outcomes. Instead what they can do is to use their limited resources for socially constructive ends. (Thee, 1981, p.44) By doing so, they will improve the welfare of the society effects which are felt directly by the people.

Because of its desirable political reflections, which will be mentioned later in the chapter, even when importing arms is easy and affordable authorities might pursue an ambitious agenda to develop a self-sufficient industrial base. (Boutin, 2009, p.230) Defense spending of the Soviet Union was as twice as big as that of the United States and its economy only as half of it which contributed to the downfall of the Soviet Union. (Kolodziej, 2005, p.109) To depend merely on national resources increases the costs of production, prolonging the time to finish the product and cost technological compromises. (Boutin, 2009, p.236; Bitzinger, 2003, p.74) However, in such a case, states neglect the economic costs and benefits and focus on the domestic and international political status brought by owning a nationally developed arms.

Even though states are motivated by certain political outcomes of nationalizing defense industry what they will have as an end product is a "less-than-impressive weapon systems." (Bitzinger, 2003, p.74) For example, India wants to be a regional power and sees indigenous arms production capability as an important component

of that ever since the US arms embargo during the war with Pakistan which for India is a reminder of the importance of self-reliance. (Sanders, 1990, pp.15-98) In order to sustain its sovereignty in 1984 India established an institution called Aeronautical Development Agency to take care of light combat aircraft -Tejas program- and the agency explains its intention with the following statement: "History has taught us that there is a compulsion to achieve self-reliance in design, development and production of critical weapon systems to guard the sovereignty of our country." ("History | Tejas - India's Light Combat Aircraft," n.d.) Having started in 1984, the project is still not finalized and its fate is unknown. Even if it will be finished, its costs to Indian economy will be great. Therefore, like in the case of India states might choose developing national arms even when it is not economically advantageous.

2.2. Transnationalization of Arms Production

Although countries are aware of the economic costs nationalizing the defense industry brings with it, the world economic system does not give them enough reason to be connected to the transnational production of arms. The second-tier countries of the periphery are connected to the first-tier countries of the core which are the primary arms producers in the world. The reality of transnationalization of defense technology since mid-1980's brought into being this interwoven system of production. Even though many countries became part of this production chain, first-tier countries benefit from the process more whereas profit and acquisition of the second-tiers are only marginal. Hence the process of transnationalization is critical in terms of understanding what pushed some countries to nationalize their defense production.

Towards the end of the Cold War two superpowers started to withdraw back into their borders. Their former satellites reacted by strengthening their military as a precaution to future uncertainties and lack of trust in the superpowers' commitment to intervene in case of a future conflict. (Buzan & Segal, 1994, p.9) So it was now up to them to provide their own national security and they initiated attempts to develop indigenous defense industries in order to decrease dependency. (Buzan & Segal, 1994, pp.8-9) What makes things complicated for these countries which were

formerly dependent in terms of security is although they want to be independent producers of arms of defense, they became connected to the major suppliers through the economic system of the world.

As demand for arms of defense started to decrease in producer countries with the de-escalation of conflict in the late 1980's, defense companies realized their excess production capacity and saw foreign markets as a substitute for national ones. (Bitzinger, 1994, p.173) Bitzinger emphasizes that in order to gain access to these foreign markets defense companies initiated co-production programs which brought with it activities ranging from technology transfer, export license to production license. (Bitzinger, 1994, p.170) And he claims that through globalization Western dominance in arms market can be reduced but he does not say how. Later in an article published in 2003 Bitzinger (2003, p.74) compares this globalized arms industry to core-periphery model of international economic structure and even though he does not explicitly argue that the core exploits the periphery through transnationalization the article indicates the disadvantaged position of the latter in this relationship.

At the core there are first-tier firms that produce high-tech items like "engines, sensors and electronics" which compose the most critical parts of the arms and at the periphery are second-tier firms that produce low-tech items which might be constituting bigger part of the arm but has low value. (Bitzinger, 2003, p.75) This transnationalization is said to reduce the technological gap between core and periphery by handing out some innovations to the second-tier firms. But countries of the periphery experience problems in the technology transfer and getting export and production licenses. Because the producers does not want to give up on the core technology and intellectual rights they have tried so hard to obtain. Handing out these critical components easily would mean loss of comparative advantage. However, through transnational production companies of the core amortize costs, reduce risks of developing a product alone, increase efficiency and economies of scale and enable penetration into new markets. (Moravcsik, 1991, p.35; Bitzinger, 2003, p.68; Boutin, 2009, p.233)

Even though in the meanwhile peripheries improve by focusing on national industrial capabilities, they opt for developing "low risk" arms whereas continuing relying on "foreign support for more advanced arms." (Boutin, 2009, p.231) As argued by Kapstein this process only deliver such outcomes for the first-tier countries and the benefit of the rest is only marginal or none. Kapstein (1991, p.659) suggests that there are three options for arms production and first option is available for countries that have technological and economic resources which will enable them to autonomously produce arms. They might spread production across countries and take advantage of the low labor costs elsewhere but they have the capacity to pull it off on their own if they want to. Second option is for countries that have financial resources but lack technology. In that case they can engage in co-production and assemble for the major suppliers. Third option is for countries that have neither financial nor technological capacity which leave them no choice other than to import.

This interconnectedness makes it hard for second-tier producers as well as for first-tier producers to develop arms on their own. Although he mentions the benefits of globalization, Bitzinger (2003, p.76) accepts that it makes second-tier countries vulnerable to both political manipulation and economic realities of the global arms market. According to Boutin (2009, p.234) such pattern of industrialization through being a part of the global production chain is not compatible with the goal of national autonomy. Therefore, there are some second-tier producers that insist on preserving self-sufficiency and they have managed to find a place in the market with commercial production like Brazil did with regional jets and China did with missiles; and some other with engaging in niche production like Israel did with UAVs and reconnaissance. (Bitzinger, 2003, pp.64-68)

If countries cannot ensure self-reliance in defense sector it is better to be connected to the global chain of production than not being able to produce anything. However, as opposed to what Bitzinger suggests multinational co-production does not circumvent Western hegemony. Because "licensing production arrangements seldom transfer technology quickly, and do not represent a short path from dependence to independence." (Buzan & Herring, 1998, p.41) On the other hand,

assembly of imported components make a country only specialized in a part of the production and does not deliver the overall technology. Although the picture seems so doomy, it improves the local producers to an extent and enhance their own capacity to design in the meantime.

2.3. Use of Arms as a Political Tool

Through the experiences they have gone through at one point in their histories, non-supplier countries are aware of these dangers of dependence of their national defense on foreign countries. After the Second World War European countries were customers of American weapons. But as soon as Europe got back on its feet, it started improving its own capacity to manufacture the weapons it need. (Kapstein, 1991, p.660) Especially Britain and France followed independent strategies outside NATO, but even they did not miss the chance of coproducing in order to reduce the risks and costs in some fields. (Kapstein, 1991, pp.662-663) However, their multinational co-development activities were not at the level of compromising their strategic advantage. France, Germany and Britain all refused to collaborate on production of arms of which they have comparative advantages. France is opposed to collaboration on fighter jets whereas Germany and Britain protect their domestic battle tank producers through refusing to cooperate with foreign firms. Nevertheless, they are open to collaborate in areas where they have a weak export position. (Moravcsik, 1991, pp.37-38)

Lack of industrial self-reliance means weapon flows will stop when the recipient country is going through a regional/national crises and when the country in question is vulnerable most to the internal/international threats. (Bitzinger, 1995, p.256; Boutin, 2009, p.229) Turkey and Brazil are countries that suffered from arms supply embargoes during Carter administration, and Taiwan and South Africa too went through an embargo period which encouraged all of these countries to build their own national defense industries. (Brauer, 1998, p.5) When this relation between supplier and recipient countries are taken into account, supplier states have a lot of leverages in their hands. They have the chance to choose the quality of weapons they are exporting and the freedom to decide to whom they are exporting. (Neuman,

1988, p.1046) Furthermore, they can "exploit political leverage they have with developing state customers" just like the embargo decision of the US with the Islamic Revolution in Iran which overthrew a friendly regime to the Americans. (Boutin, 2009, p.229) Therefore, apart from ensuring a state's own security, having a strong defense industry can be used as a tool for such countries to steer the outcome of conflicts in favor of their foreign policies.

As can be seen, the reason why self-reliance or reduced reliance on procured arms of defense is preferred by countries is because it strengthens national political independence. (Bitzinger, 2003, p.36) Moreover, once countries get their hands on such a power they know that they too can be regional powers influential over other countries. Hence, producing an authentic arms technology indicates to a political motive of a country as it can be used to exert influence. (Cited by Kızmaz, Brozka & Lock, 1992, p.145) William W. Keller (1995, p.166) says that during Bush administration arms transfer policy was seen as a tool of foreign policy "that could be selectively applied to accommodate geo-strategic circumstances prevailing in the region to which the weapons or military technology were destined... It was driven by calculations of military balance, political cachet, and economic return." Hence, supplier countries' transfer of arms is not unconditional, it is a result of certain political calculations of the supplier.

As power is an important asset of a country which can be measured by military as well as by economic capabilities, it also gives a prestigious status to the country that obtains it. (Gilpin, 1983, p.32) In other words, showing the country's power through its capabilities in military technology contributes to "its status as a great power." (Bitzinger, 2003, p.98) During the Cold War, it was the case between two superpowers. They competed in military power and strengthened their client states by providing them with arms. (Kolodziej, 2005, p.102; Buzan & Herring, 1998, p.33) Arms transfer on the one hand military assistance on the other assures creation of client states which pursue policies in favor of their patron. Even today, powerful states do not have to fight wars on the ground as long as they arm and back up local groups or states which would turn the result of the war to their favor. Therefore, E.

H. Carr said that prestige is "important because if your strength is recognized you can generally achieve your aims without having to use it." (quoted in Gilpin, 1983, p.31) Whereas first-tier countries enjoy the benefit of determining the outcomes of the conflicts as they decide whom to give weapons, second-tiers as the receiver of the arms are the ones whose actions are decided. Therefore, self-reliance is important since it ensures that the country deals with the threat without external involvement. (Neuman, 1994, p.104)

Although liberal economic rules apply to companies in the Western market, industrial self-reliance in defense is a priority that cannot be left to the hands of foreign companies. Hence, even in capitalist markets field of defense is exempt from the free market economy and closed to competition. Foreigners are discouraged from entering and companies in general are owned or supported by the state. Since self-sufficiency in arms of defense is accepted as the most reliable way for providing national security, its importance far surpasses the free market. (Bitzinger, 1994, p.72) Moreover, since political authorities see the defense industry in terms of its contribution to national autonomy and political stature, competition and free market are not options approved by politicians in this sector. (Kapstein, 1991, p.675; Boutin, 2009, p.230) As a result, it pushes governments to put restrictions on foreign companies and support the local firms even when it is not economically viable. (Boutin, 2009, p.230) "For example, during the integration of European Union, most of states which have sophisticated defense industrial base such as France, the UK, and Germany strongly have resisted the idea of common defense market for the protection of their markets." (Kızmaz, 2007, p.6)

The grounds at which first-tier countries approach transnationalization with suspicion is also discouraging second-tier countries from the process which would take away their freedom of movement. In order to decrease the "political vulnerability to supplier pressure" some countries opt for carrying out independent production as much as possible and so as to maintain their neutral policy they opted for self-sufficiency during the Cold War. (Buzan and Herring, 1998, p.45)

A restriction on the supply of arms, non-producer states argue, they would become second-class states, unable to match the military forces of producers and relegated to politically unacceptable category of those judged incapable of being allowed to manage their own affairs. (Buzan & Herring, 1998, p.36)

For the same reasons, Neuman points out that "imported equipment is always less secure than the domestically produced equivalent because a country's enemy may more easily gain access to it and thereby glean sensitive information." (Neuman, 1994, pp.104-105) It makes any country question the viability of leaving its defense to the hands of another country.

2.4. Trade-offs of Developing a National Defense Industry

Although he was pro-self-sufficiency in defense Louis XIV's chief minister Jean-Baptiste Colbert admitted that spending on war undermines "the real source of power - economic activity." (Moravcsik, 1991, p.26) Moravcsik (1991, p.39) states that autarkic policies in defense sector might cause economic disadvantages in the short-run arising from not specializing in the development of a specific product and buying the rest from others who specialize in those particular items. This he refers to as "autarky-efficiency dilemma." It is a huge quandary for a country because it wants to be independent in every sense but producing every single arm it needs cannot guarantee that. Because what it does to ensure full self-reliance actually divides up the limited capital and quality personnel among different projects. This prevents reaching perfection in a single item that could have given comparative advantage to that country in the international market.

Even though Viotti (1994, p.4) underlines the economic benefits of defense spending he points out a trade-off by saying that those expenditures might be achieved at the expense of other public expenditures. Spending on modern arms cuts back on the immediate needs of the population if country has scarce economic resources and as a result of that it faces a trade-off between military and social spending. (Ram, 1993, pp.23-50; Buzan and Herring, 1998, p.49) Furthermore, Gilpin (1981, pp.168-169) mentions that the cost of protection is increasing since the modern weapons are more complicated and expensive which in return forces states to invest more in their

defense diminishing the resources they were to use in other sectors. This is why sustaining a strong military puts a non-negligible financial burden on both the economies of developed and developing countries. (Sivard, 1981, p.35)

Neuman points out that scholars who stress the economic costs of military industry refer to the scarcity of inputs like capital stocks, technical skill, work force, raw material that are being canalized into making weapons. (Neuman, 1994, p.102) When already limited resources are used for making or buying weapons, it cuts down on the financing of other public expenditures which would make conditions better for the society like improvements in health services. As the population of a country grows so does its need for health services which makes investments in health essential for the wellbeing of the public. Same thing applies to other social expenditures like education, transportation and housing. However, the military threat is not directly proportional to the size of the population, so its growth, unlike other public expenditures, does not do good to society's welfare. (Sivard, 1981, p.36) For example, military R&D decreases the scope of R&D on the civilian sector which directly affects development of the country. Employing skilled personnel in the defense industry creates a scarcity of highly qualified workforce for civilian sectors. It is especially worse for the LDCs which have limited skilled personnel. (Thee, 1981, p.46; Ram, 1993, p.26) Regarding the problem, International Peace Bureau remarks in its 2012 report that:

(The issue) is also about the channeling of so many of our finest scientific minds into careers that promote military, rather than civilian, solutions. Wouldn't we advance more rapidly in the global fight against HIV/AIDS, or in tackling water scarcity or climate change, if even a small portion of the military's immense store of brain power were made available for such programs? (Archer & Annette, 2012, p.33)

The opponents of defense build-up point out the valuable human capital which could easily have been trained for and invested in civilian sectors and might do better contribution to the nation as well as to humanity.

Other than stealing the skilled people from non-defensive sectors, military industry also makes a negative effect on the environment because of "experimental explosions, toxic discharges, and use of wide range of non-renewable resources." (Ram, 1993, p.27) Just like other civilian sectors, environmental problems too need to be taken care of through research. (Thee, 1981, p.46) Furthermore, the environment could have been deteriorated less if it was not for nuclear or other military tests.

These are the reasons why the critiques see the spending on military industry as a drain on the economy of, especially third world countries. (Gilpin, 1981, p.169; Neuman, 1994, pp.102-103) Allocation of resources to military use aggravates the economy of developing nations more because those resources "could have been used for civilian purposes, either to accelerate growth and modernization in such fields as industry, agriculture, and transport or to raise the standard of living and improve the quality of life." (Thee, 1981, pp.50-51)

While diversion of resources cost country's socio-economic development, it also creates a balance of payment problem since these countries have to import the expensive arms of defense. Whereas suppliers draw the money into their economy as a result of the transaction, non-suppliers lose big part of their already limited economic resources which on the international level widens the gap between rich and poor countries. On the other hand, even if they do not pay for the weapons and the weapons are being delivered as a part of the foreign military aid country of destination still has to pay for the additional costs such as maintenance, spare parts, and after a while for modernization. (Thee, 1981, p.50) Moreover, supplier countries amortize the costs of development in the long-term since importing countries "subsidize military R&D in the arms-exporting countries." (Thee, 1981, p.50) For example, Turkey made an agreement with Russia to buy S-400 missiles. ("Türkiye Rusya'dan S-400 alıyor," 2017) But Russia is working on the next generation of missiles which is called S-500. (Sharkov, 2017) With the money Turkey pays Russia will already be developing the next technology. So soon after Turkey gets S-400's, they will be outdated. This relation between supplier and buyer countries

perpetuates the position of the arms exporters vis-a-vis other countries in technological lead.

Whereas military spending deteriorates the situation in LDCs, it is not the same for arms producers. Hence, Buzan and Herring (1998, p.107) say that the strategy of taking the military way is applicable only for the arms producer countries:

This technique is especially useful in a country like the United States, where Keynesian measures of economic stimulation might, in themselves, attract ideological opposition. It is easier to get tax-payers to consent to subsidies for high-technology industries if they are justified as necessary to the military security of the country... Military spending tends to be less controversial than welfare measures and other public works, and government are more in control of the variables that govern the need of military measures. The international system may oblige by providing threats that are real enough to be exaggerated if the need to do so for economic reasons arises.

However this does not discourage non-producing countries from expanding their arms production capabilities because their dependence on foreign arms brings them back to the problem of use of it as a political leverage by the supplier country. Technology cannot always be bought as states regulate and sometimes can limit the transactions of their companies with foreign states due to political interests. The export license system protects the foreign policy interests of country. It does so by preventing the undesirable political effects which can be generated by the sale of arms on purely economic concerns. (Buzan & Herring, 1998, p.47)

All in all, literature shows that domestic structure and action-reaction model explains the reasons for development of national defense industry. Whereas domestic structure sheds a light on the motivations and rationalizations of the local actors such as politicians and military-industrial complex; action-reaction model looks at the macro level and clarifies what the international factors that propel countries to strengthen their military build-up are. Although there are certain effects of nationalizing the defense industry, the literature shows that analyzing countries by looking at the internal and external dynamics and their own economic structure, which may or may not be strong enough to endure the costs of national defense

projects, is necessary. Hence, in the rest of the thesis I will be looking into these variables and how effective they are in the nationalization of the defense industry in Turkey.



CHAPTER III

APPLICATION OF ACTION-REACTION MODEL

This chapter consists of the geographical factors that affect Turkey's security, and hence, Turkey's perceived need for more expenditure on arms and for nationalization of the arms industry. By analyzing the regional variables explained in the chapter, I intend to show that Turkey's attempts in military defense is in large part a response to the geopolitical dynamics of the region. Turkey tried to maintain relations on an economic level when it could, but when the recent conditions required it to move to more security-based approach it started prioritizing defense. In that respect, Turkey is not different from other countries in trying to maintain its security. What makes its initiatives different is its dedication in pursuing a policy of nationalization which is totally congruent with the distrust Turkey had developed as a result of its encounters with countries in its geography that brought conflicting interests with its allies to the surface. Lack of trust in allies or as Buzan and Segal (1994, p.9) called it "diminishing security commitments of superpowers" is not widely covered in the literature. Nor is it a part of the action-reaction model. However, the conflicting actions or inactions of allies create the reaction of the country in question to improve its own defense. Hence it is an important variable that should be taken into account. Since the attitude of allies can influence the regional politics which may, as a result, bring on an interest-dilemma I will elaborate on them together.

Turkey's move from a relatively peaceful period which enabled cooperation with the region to a period in which increased arms race and threats affected its security more is a sign that its initiatives in the defense industry are reactive. So as to show that and how action-reaction model works I will start with explaining how Turkey acted historically in the presence and absence of threats. Then I will proceed with regional arms race and states/terror groups that push Turkey to activate a process of defense industrialization.

3.1. Turkey in the Regional Conuncture

3.1.1. A Historical Outlook at Turkey's Security Perspective

Turkey is located in a geography where it is surrounded by countries it had conflicts with in the past owing to its imperial history that is followed by the nation-state building process. The ongoing years did not witness major disputes with neighbors as the newly founded republic was busy with its internal affairs such as the construction of national institutions and economy. And so were the other states which gained independence after the collapse of the Ottoman Empire. Turkey's first major decision to choose a side and take military action in a foreign land was not about a regional issue. It was the decision to join Korean War. However, it was made with a political calculation; if Turkey was to join the NATO alliance and get under its security umbrella, it had to pay the price by fighting alongside the allies. Before joining the war, Turkey applied and got rejected by NATO twice. And only after sending its soldiers to fight in Korean War it was accepted to the organization in 1952. (Oran, 2013a, pp. 543-545)

Apart from Turkey's involvement in Korean War which was the result of a strategic calculation on the part of Turkey, the major problem that Turkey had to face afterward was the Cyprus issue. When two communities in the island divorced in 1963, Cyprus became the main foreign policy issue for Turkey. The idea of intervention was halted because of the Johnson letter which owes its existence to the efforts of the Greek-American lobby that inspired the writing of such letter in favor of the Greeks.¹ (Landau, 1974, pp.51-52) In the letter, Turkey was harshly warned that it cannot use the military equipment provided by the US in case of an intervention. In 1974, after 10 year from the letter, Greek attacks on Turks living on the island culminated in Turkey's intervention as a guarantor power. As the interests

¹ Numerous cables, telephone calls, letters, and memos reached the White House during the first half of 1964; nearly all of them were designed to influence Presidential policy towards Cyprus. Much of the correspondence stressed the alleged discrimination or persecution of Greeks in Turkey. A White House Office "route slip" stated that as of June 26, 1964, 2,598 letters concerning this matter had been received at the White House! Thus this lobbying-by-communication relied on the sheer amount of correspondence and intended to impress the White House with the ability of Greek-Americans to mobilize a grassroots campaign; the deluge of communications was one of the main reasons for the success. (Landau, 1974, p.52)

of the USA was not congruent with those of Turkey, two countries were on a collision course and the American congress issued an arms embargo against Turkey as warned by the US 10 years ago. The embargo relied on the principles of the Truman doctrine and Public Law 75 which prevented any recipient country to use the delivered equipment other than the stated purposes and warned that the assistance would be terminated if it was seen as unnecessary or undesirable.²

The embargo decision hit Turkey really hard. For so long, Turkey had seen the United States as its staunch ally. Having the political decision of intervention in mind on the one hand, and seeing the withdrawal of support from its major partner on the other hand, Turkey was pushed into the corner. It was a reminder for Turkey that its security will not be protected if it does not have its own means and its allies does not have the motivation to protect it. The US had acted according to its own national interests when it issued the Truman doctrine and also when the President wrote the famous Johnson Letter which soured the relations between the two countries. Similarly, Turkey too wanted to follow its national interests by intervening. But for a country which depends on another state and arms provided by it for its security, it is not easy to do so. The problems it encountered with the US after having taken the intervention decision, made Turkey think that buying from countries other than the US is imperative. (Uslu, 2000, p.209) But no state can be another's unchanging ally so it did not take long for Turkey to realize how important it is to establish an autonomous military industry.

With the embargo, delivery of military equipment worth more than \$200 million was cancelled. (Durmaz, 2014, p.23) When the political scene changed in the US during

² "payments when made shall be credited to such countries in accounts established for the purpose" (section 2)

"the government requesting such assistance shall agree (a) to permit free access of United States government officials for the purpose of observing whether such assistance is utilized effectively and in accordance with the undertakings of the recipient government"(section 3)

"The president is directed to withdraw any or all aid authorized herein under any of the following circumstances:

(2) if the security Council finds, or the General Assembly finds that action taken or assistance furnished by the United Nations makes the continuance of such assistance unnecessary or undesirable

(4) if the President finds that any of the assurances given pursuant to section 3 are not being carried out." (Public Law 75, 1947)

the crisis with Ford becoming the president, he followed the political decisions of the Kissinger who did not see any good in embargo since he believed it would only do harm to the relations with Turkey in the long run. (Durmaz, 2014, p.23) But the strength of the Greek-American lobby, and the decisiveness of the Congress prevented any attempt to lift the embargo the only exception was the decision of the Congress to send F-4 aircraft materials, payment of which was already made. (Binder in Durmaz, 2014, p.23) As a reaction against the American decision, Turkey used the only card it has against the US and retaliated by closing military installations in its territory used by the US. For the US it meant a loss of intelligence and leverages provided by having bases close to the Soviet Union.

Later, F104s were taken from Italy and West Germany (Durmaz, 2014, p.49) but procuring from different suppliers in order to decrease dependence on the US could not be the solution as it is never for sure that the interests of Turkey with any other possible supplier would not clash in any future conflict which would result in another embargo. Hence, new initiatives took place. In the following years of the embargo Aselsan, Havelsan, TAI, Roketsan, Aspilsan, Isbir were established in order to meet the demands of the Turkish Armed Forces which was proven to be lacking the necessary materials that can be used without having to answer to anyone during the four years of the embargo. Although these initial steps for making modern and technological defense industry were important, it was only the beginning. The investments made during the post-embargo period were not sufficient as Turkey adopted the foreign defense technologies instead of investing in the R&D itself. (Durmaz, 2014, p.57)

During 80's and 90's Turkey had to deal with its internal problems starting with the coup d'état. It was a military regime that was ruling the country but did not do any improvement towards developing a nationally self-sufficient defense industry. When military regime left its place to a civilian government, it was again not easy to focus on a national defense strategy and strive for a self-reliant industry since the political instabilities, coalition regimes and economic problems of 1990's did not leave any room for bold initiatives of the state. In that respect, a stable political environment

provided by a long-lasting one party government with the policies it has undertaken in the area of defense are going to be covered in the next chapter. The regional political atmosphere which is conducive to nationalization efforts and complementary to this domestic political structure will be covered in the rest of this chapter.

3.1.2. Changing Conjuncture Boosting Economic Integration with the Region

Looking at the historical process, Turkey has generally focused on internal politics and preferred to have a neutral stance on the regional issues or acted along with Western partners which it closely associated itself with. From a Western security perspective, Turkey was seen as an important asset. Due to its geographical location and identity, Turkey was fit to be a buffer between the "chaotic" East and the West. While the West depended on Turkey for security, Turkey too depended on its Western allies against external threats. Even at times when Turkey used military means, it had to pay the price by being exposed to an arms embargo in the case of Cyprus intervention which showed Turkey the danger of being reliant on procured arms for its defense. As a result of this Turkey learned its lesson and that acting on its own in case of future conflicts would not be a feasible solution. In general during Cold War Turkey mostly relied on NATO and on the US whereas they saw Turkey as a shield that would protect them against the communist camp.

Up until 2000's Turkey most of the time steered clear of the regional issues and center of its attention was domestic problems. When it involved in regional politics, it did not act unilaterally. Rather, it had chosen to act along with its allies which was either the US and Europe or the Soviet Union depending on the conjuncture. While usually focusing on its relations with the West, Turkey turned its back to the MENA its cultural heritage zone. For decades, it did not take advantage of its historical and cultural ties with the countries in the region that is stemming from its imperial past. Turkish elite adopted a security-centered approach towards the region which had only started to change in the 21st century with the changing domestic political scene. (Kalin, 2012, p.11) Henri Barkey says that Turkey was also seen as a military ally by

Europe and the US but the change in the conjuncture propelled Turkey to reassert itself through its economic and political power. (Kalın, 2012, p.8)

The change of scene and perceptions in Turkey, and the changing realities of the world encouraged and motivated Turkey to increase its cooperation with the countries in its region. Turkey decided to increase its zone of influence through economic integration which is its biggest asset in a geography that is willing to purchase its new line of products. (Fidan, 2013, pp.91-92) Turkey used its cultural and historical ties with the region to forge a foreign policy around economic connections. Although it forged economic relations with the countries in the Middle East its connections were limited. However, as far as Turkish economy was concerned it was in the interest of statesmen to do their best to protect the bilateral trade relations.

The newly adopted trade-centered regional policies of Turkey would be damaged by any kind of geographical conflict. For this reason, the American invasion of Iraq in 2003 was worrisome from the Turkish perspective. Iraq had become a major destination of Turkish goods after 2001 crisis which helped it to restore economic order, and an invasion would distort everything. (Oran, 2013b, p.403) Moreover, American occupation corresponded to the change of the political authority in Turkey which was willing to engage in its region through even more economic integration. Hence, Turkey did everything in its power to prevent an invasion which would shatter the regional balance, bring into existence a Kurdish state in Northern Iraq and damage Turkey's economic relations. (Oran, 2013b, p.406) When Turkey's attempts were unsuccessful, it wanted to make sure that it was not going to be pushed out of the Iraqi market during the reconstruction process. The Parliament did not approve the memorandum to send Turkish soldiers to fight in Iraq, and open Turkish air space and ports for coalition forces. But since Turkey was the most developed country with the largest economy among the neighbors of Iraq, it was the most reliable destination for the reconstruction of the country from the American perspective. (Oran, 2013b, p.408) Hence, the US gave the green light to Turkey by including it into the process of reconstruction. As a result, Turkey's trade with Iraq improved.

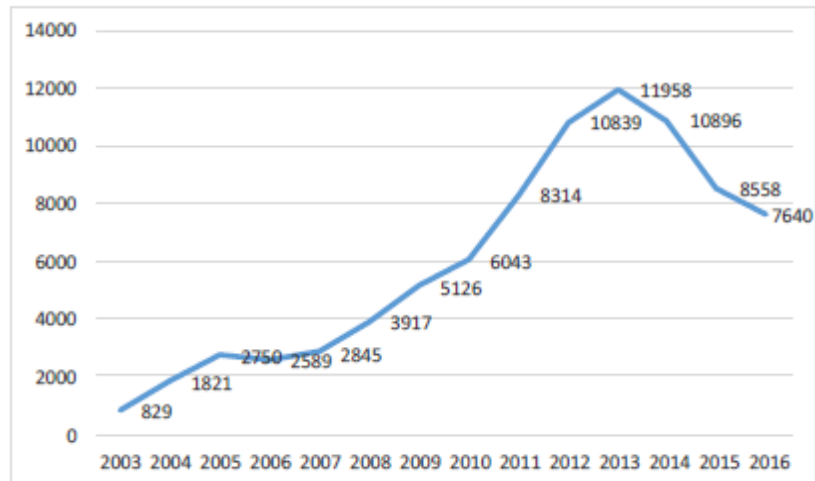


Figure 3.1. Turkey's Exports to Iraq (million USD)³

It was not only Iraq but also other Middle Eastern and North African countries Turkey started establishing economic relations with. This gave Turkey an opportunity to diversify its customer base which was predominantly composed of buyers from the West. After broadening its clientele by opening up to the East, Turkey wanted to make more profit out of these transactions. In order to boost the economic activities with the countries in the region, it has undertaken some measures. Turkey initiated the process of eliminating the visa requirements which could not be realized with the European countries and established preferential trade regimes along with free-trade zones.⁴ These were to facilitate the flow of goods and eliminate the barriers to trade that are being disrupted by bureaucratic procedures. The main reason behind Turkey's smooth transition of the 2009 recession is these markets thanks to which Turkey was slightly touched by the crisis while the Western economies were harshly stricken. (Fidan, 2013, p.92) Hence, transactions with Middle Eastern countries is important for Turkey's economic revenues.

³ Source: Ministry of Economy, 2017

⁴ Turkey was not benefiting enough from that bilateral relation because of the Customs Union which put Turkey in a disadvantaged position vis-a-vis the countries of the European Union. Although Turkey had signed Free Trade Agreements with countries both in Europe and elsewhere in Latin America, Africa and Middle East, the ones with the European countries were cancelled due to their accession to the European Union. (Ministry of Economy, 2017)

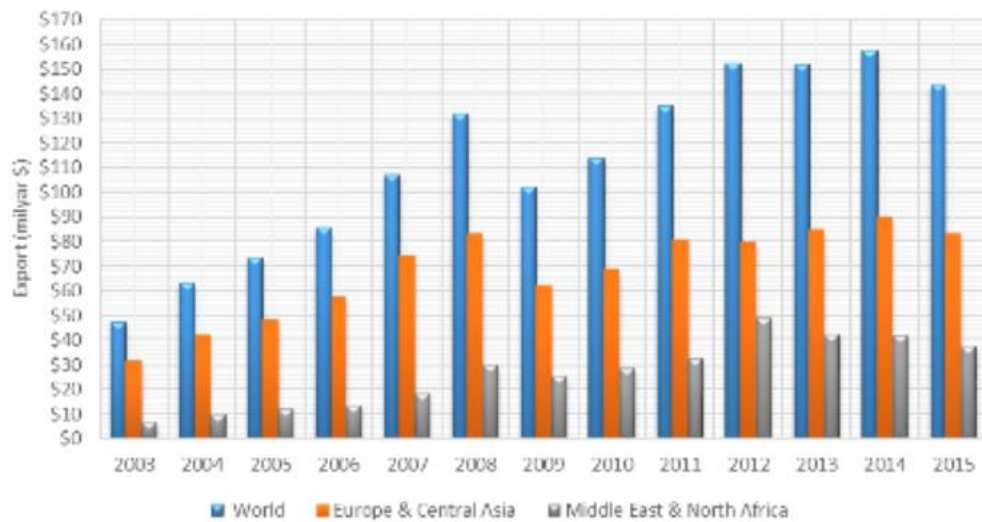


Figure 3.2. Turkey's exports to MENA and Europe-Central Asia⁵

Economic activities were not only promoted at the state level but private enterprises were too encouraged to make businesses elsewhere in the Middle East, Africa and Asia. Official visits of the President, Prime Minister, Trade Minister was and is still being accompanied by businessmen in different sectors. (Kalin, 2012, p.18) This initiated the investment of Turkish businessmen through winning the trust of foreign country officials and as a result opening up ways for them to do business. Such attempts increased Turkey's volume of trade with these geographies, contributing to Turkey's GDP and development, and in return making the economic connection with these regions even more indispensable.

This agenda of Turkey which is prioritizing economic integration is seen to be a win-win game that empowers both parties involved. When Europe's role in Turkey's export market weakened, that of the Middle East gained strength. In 2000 Turkey's export to the Middle Eastern countries were 2.5 billion dollars. (Silkroad Development Agency, 2011, p.96) After 8 years in 2008 it grew 10 times larger and reached up to 25.4 billion dollars and in 2016 it became 31.3 billion dollars. When the overall share of the region is taken into account there is no doubt that it has increased in terms of exports by country groups.

⁵ Source: WorldBank 2017:
<http://wits.worldbank.org/CountryProfile/en/Country/TUR/Year/2015/TradeFlow/Export/Partner/EC/CS/Product/all-groups>

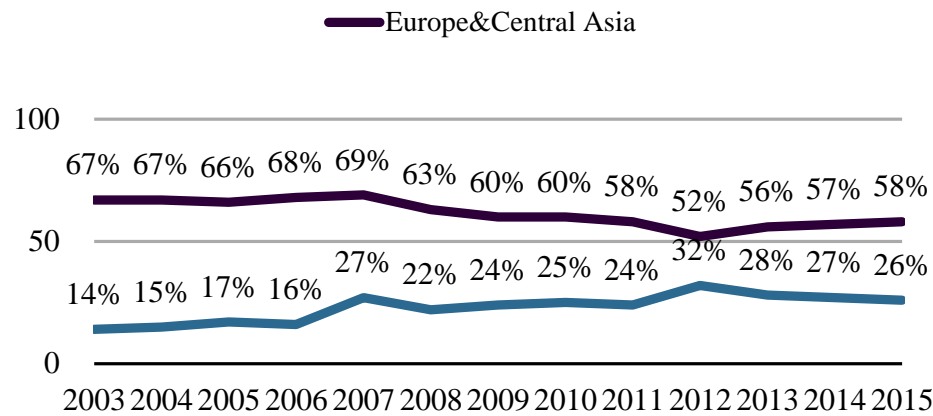


Figure 3.3. Share of MENA and Europe-Central Asia within Turkey's exports⁶

Although the MENA has always come second in Turkey's export list, its share has increased considerably during the period when Turkey closely cooperated with the region. When a relatively peaceful and economically prosperous atmosphere for Turkey was observed on the regional level, on the internal level the struggle which was carrying on since 1980's was in a thawing period thanks to the peace process. Initiated in 2009 peace process brought an internal political stability to Turkey. A couple of internal and external tranquility created an environment which contributed a great amount to Turkey's economic developments.

Turkey's major concerns changed due to the shifting regional dynamics which obliged Turkey to make security its major concern with regards to its relations with the countries in the region. (Mercan, 2016, p.101) Because safety comes first and a country cannot have a functioning economy if it does not have a security apparatus that protects the market and the investors. Hence, Turkey's reaction to build a national defense industry is affected deeply by the regional arms race and relations of Turkey with different actors in the region, which will be covered in the rest of the chapter.

3.2. Regional Arms Race

The question why Turkey is determined to build a deterrent and defensive power has several reasons one of which is the arms race in the region. Arms building in the

⁶ Source: World Bank 2016

region has a long history that dates back to 1973's oil crisis, after which oil rich Arab countries started spending their petrodollars on military build-up. Later in 1979 when the Islamic Revolution changed the regime in Iran, Iran became a country strongly associated with Shiism aspiring to be a regional power. Against it, Saudi Arabia shined as the guardian of Holy lands but representing Sunni Islam. Although religious in essence the rivalry between Iran and Saudi Arabia has turned into a geopolitical competition. (Ighani, 2016, p.1) Hence, the sectarian conflict became the issue around which the regional arms race evolved. Later on, another parameter added to the strengthening of arms regional arms race: Arab uprisings. I will be covering both of these factors in this section.

3.2.1. Sectarian Conflict

Apart from Iran and Saudi Arabia, Iraq, and Egypt too were centers of power in the region. Egypt had relatively prosperous times and was more influential especially during 1960's and 70's. After being pushed away as a result of its deal with Israel in 1978, Egypt turned even more into its internal affairs with Arab uprisings and regime changes and is now out of the play. Iraq, on the other hand, was a regional power holder during the rule of Saddam. With the American invasion in 2003, Iraq too was crossed out of the equation. Another regional actor Syria as well is confined to its domestic problems after the uprisings started which then evolved into a civil war in 2011. This is not to say that these countries are not taking part in the regional arms race but it shows that Iran and Saudi Arabia are the spearheads of the race which revolve around sectarianism.

The elimination of a Sunni authority in Iraq after its occupation gave more of a wiggle room to Iran due to a power vacuum during which it can exert its influence over the Shia population of Iraq. On the other hand, Alawi-dominated Assad regime that gained strength with the civil war which closed the gap between Iran and Hezbollah in Lebanon formed a de facto Shia crescent. Such events fortified the Shia camp by bringing these countries closer. The ongoing struggle in Syrian territory gives strength to the sectarian conflict. Meanwhile, Saudi Arabia has the economically powerful sheikhdoms of Gulf and its military arsenal which it invests more of its GDP than any

other country in the world.⁷ Whenever there is a regional problem Iran and Saudi Arabia always take opposite sides (Iran with Shiites and Saudi Arabia with Sunnis) seen in the cases of Syria, Bahrain, and Yemen, and their support for proxy groups and these groups' eventual success necessitate even more arms.

Due to the international sanctions against Iran, compared to other countries in the region its record of military expenditures is relatively low. But Russia steps in in cases of Assad regime needing help which fills the void when Iran cannot. During the period from 2008 to 2012, Russia supplied 71% of Syria's weaponry whereas Iran provided 14% of it. (Fleurant & Perlo-Freeman, 2013) According to SIPRI (Fleurant & Perlo-Freeman, 2016, p.5), in 2015 Iran's military spending was \$10.3 billion whereas Saudi Arabia's was \$87.2 billion. This facilitates Saudi Arabia to send arms to Syria whereas Iran is mostly sending its Revolutionary Guards Corps and less amount of weaponry to the regime in comparison to Saudis. (Ighani, 2016, p.4) This continuing rivalry increases the threat perceived by other countries in the geography especially in the Gulf and pulls them into the regional arms race. (Fleurant & Perlo-Freeman, 2013, p.8) Because, "[Despite low oil prices,] countries in the region continued to order more weapons in 2016, perceiving them as crucial tools for dealing with conflicts and regional tensions." ("Increase in arms transfers driven by demand in the Middle East and Asia, says SIPRI ", 2017)

3.2.2. Arab Uprisings

The uprisings that started as a democratic revolutionary movement in the region soon after turned into a power struggle in each state where the rulers saw the vulnerability of their regimes and started empowering themselves with security policies. This resulted in further investments in military power which had already been higher than other regions.

⁷ According to Trends in World Military Expenditure 2015 by SIPRI, as of 2015 %13.7 of its GDP is spent on military by Saudi Arabia

Table 3.1. Military Expenditure by Country in the Middle East (US\$ million) (Source: SIPRI 2016⁸)

Country	2011	2014
Bahrain	1126	1475
Egypt	4831	5085
Iraq	6545	9516
Israel	15950	18106
Jordan	1812	1550
Kuwait	5705	5942
Lebanon	1851	2270
Oman	7018	10951
Saudi Arabia	53062	80762
Turkey	16875	17770
UAE	19980	22755

When we look at the situation from a regional scale the arms race in the Middle East is very telling both with its volume before and after the uprisings. SIPRI reports show that the Middle East comes second in the transfer of the global share of conventional arms with 17% after Asia and Oceania in the period of 2008-2012. (Fleurant & Perlo-Freeman, 2013) In 2011-2015, the Middle East is again the runner-up this time with 25% of worldwide arms transfer which shows the increase after the uprisings. (Fleurant & Perlo-Freeman, 2016) Furthermore, the militarization of the Middle East is noticeable not because the rest of the world stopped investing in arms of defense but relative to the population military expenditures in the region are very high. (Stork, 2016)

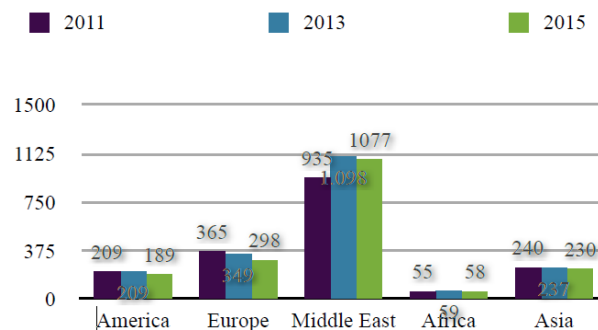


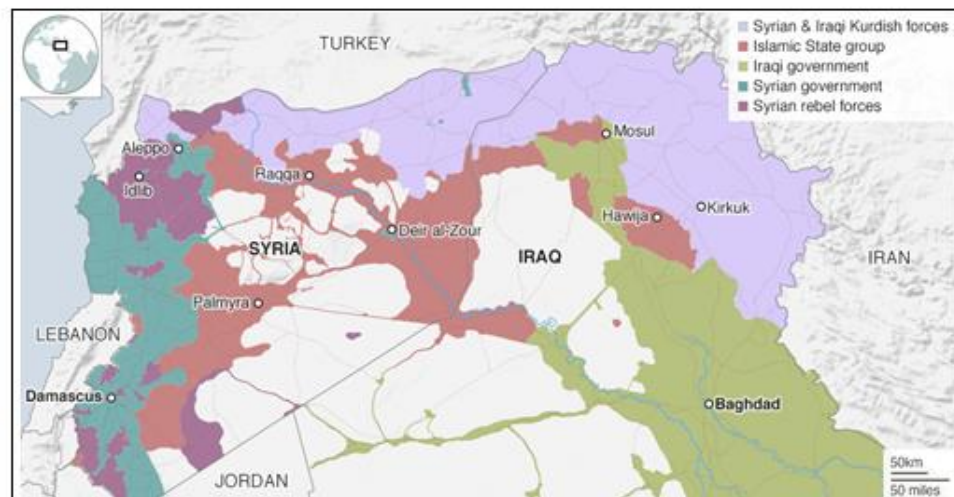
Figure 3.4. Military Expenditure per capita by Region (million USD) ⁹

⁸ Data for Syria, Qatar, North Yemen is missing

⁹ Source: SIPRI 2016

While countries started spending more on their military, some like Syria, Yemen drifted into civil wars. When America withdrew from Iraq, it left a weak state that was divided into three. (Tziarras, 2015) The administrative problems encountered by Iraq after its occupation which continues up until today and turned it into a torn country is also seen in Syria where the central government is not the only authority. And when Syrian uprisings evolved into a civil war because the government did not want to step back, another power vacuum came into existence. Now, Syrian territory too is divided where Assad forces, Syrian Democratic Forces, and Free Syrian Army exist. Yemen is no different in terms of internal conflict. Since the start of the civil war in 2015, the country is divided between Houthi and pro-Saleh forces versus Hadi government creating in the region another turmoil. ("Yemen crisis," 2017)¹⁰

This hectic environment which created a power vacuum in the territory of Iraq and Syria brought into being a terrorist group called ISIS in 2014 which is settled in Iraqi - Syrian lands. In December 2016 area controlled by ISIS was around 60,400 square km dropped from 91,531 square km in January 2015. ("Islamic State and the crisis in Iraq and Syria in maps," 2017 & Strack, 2015)



Map 3.1. Influence Zones of Insurgents and States across Southern Border of Turkey¹¹

¹⁰ Although regionally presenting a security dilemma, Yemen is a case that is far from bringing a direct threat to Turkey. As this chapter of the thesis is about how Turkey reacted with its defense industry to the regional developments, my main focus will be on Iraq and Syria.

¹¹ Source: IHS Conflict Monitor (16 January 2017)

An anti-ISIS coalition force is fighting the group with land and aerial operations. Although ISIS has lost control of some of the major cities it had hold of, it has a strong international appeal due to its use of modern day technology. It manages to attract people not only from the region but also especially from Europe. Since it terrorized major European countries including Turkey, many states are involved in the coalition to fight it. ISIS presents a challenge not only for the countries in the region but also for the countries in the other part of the world like the US since it poses a threat to the US interests in the geography.

3.2.3. Going Deep into the Regional Rivalries

Yıldırım et, al. (2005) argues that military expenditures depend on military expenditures of neighbors as well as on internal/external conflicts. While the major powers in the region are involved in an arms race, Turkey cannot be indifferent to it. Just like other countries it is affected and threatened by the increased volume of arms that adds up to regional tensions which concern Turkey closely as the war in Syria escalates. According to the SIPRI reports arms transfer to the Middle Eastern countries increased by 61% 2006-2010 and 2011-2015. In the same period, arms import of Iraq increased by 83% whereas Egyptian arms imports grew by 37%, that of UAE by 35% and of Saudi Arabia by 275%. (SIPRI, 2015) For some countries in the region due to lack of transparency, the figures are not announced but the overall picture shows an increase in the arms investment in the region.

A question asking why Turkey did not adopt a security loaded perspective towards the Middle East earlier where arms race has been going on since the 70's might come to minds. Before Turkey was involved in this decades-long arms race, it was engaged closely with the West seeing no point in turning its face to the East and later in 2000's it had the conjunctural advantage of leading an economic integration with the region since this time it did not perceive a major threat directly targeting its security. Moreover, the extent of threat coming from the region was never this wide until the piling up of major problems namely an unstable Iraq, breakdown of relations with Israel, Arab uprisings, emergence of ISIS, Syrian civil war along with the rise of the PKK that damaged the trade centered relations with the region which had created

the restored soul of the relations with the Middle East after decades of distance. The degree of Turkey's previous connections with the region and geographical proximity to conflict-ridden war zones made it later inevitable for Turkey to make security high on the agenda. Before the start of civil war Turkey was discussing clearing landmines in the Syrian border, now with the threats emanating from the war a wall along the border is under construction.

As a result of the conflicts in the geography which started jeopardizing Turkey's security profoundly, and the conflict of interest it experienced with its allies made the development of a national defense industry even more urgent. Ever since the American invasion of Iraq, things have not been settled down in the Middle East. Invasion of Iraq is a critical turning point because the instability of the regime in Iraq puts regional security at risk. First and foremost, it divided Iraq into three with the Kurdish regional government in the North which Turkey looked with suspicion because of the possible effect of it on Kurdish independence movement inside Turkey. Secondly, the sectarian politics of the new formation was to create hostility which would shatter security of both Iraq and the surrounding countries. Starting with the crisis in Iraq, several other regional developments made Turkey question the security policies it has been pursuing which was highly dependent on foreign arms of defense. Although 1974 crisis hit Turkey hard and pushed it to go national, in 2003 only a quarter of the necessary pieces of equipment of the Turkish Armed Forces could be met domestically. So it took another major blow on its security before Turkey realized it was the high time it took its defense into its own hands.

The conjunctural change brought forth by the new threats directly targeting Turkey's security forced it to change its policies. But the process of nationalization did not happen overnight. Turkey proceeded step by step to develop its own defense of arms and with every crisis it met in the region, it has undertaken a solution to solve the problem. This increased the level of indigenoussness of the defense industry gradually which made it reach to 60% in 2016 from 25% of 2003. (SSM PR 2016, p.4)

In 2011 Turkey thought Arab uprisings to be in its favor since it was signaling democratization in the beginning, but eventually, it added to the external threats Turkey faces. Because as the process continued, it created in the Middle East regimes that Turkey did not anticipate and breed a quasi-state formation that terrorizes a wider geography than its present location but specifically the countries in the region including Turkey. Firstly, the wave of democratization was supported but when radical movements came to the forefront exploiting the power vacuum Turkey became concerned with security and stability. (Börzel, Dandashly, & Risse, 2015, p.137) Furthermore, having previously supported the revolutionary movements with enthusiasm did not help Turkey when most of the countries went on with the old regimes. At the beginning, Morsi and the Muslim Brotherhood were supported, but the military regime that toppled Morsi did not receive the same support from Turkey. Similarly, in the Syrian case, Turkish foreign policy makers assumed that Assad would fall and Syria would go on with Muslim Brothers, so invested in the opposition. (Yakış, 2014)

The arms in the arsenal were used by the governments on their own subjects was another unexpected development that created worldwide repercussions. It is important in the sense that as state security forces versus civilian protestors turned the uprisings into civil war, it affected Turkey's security badly since the ongoing civil war creates chaos in the border, causes death of Turkish soldiers, empowers the sectarianism which is the bleeding wound in the region and strengthens the ISIS which poses a threat both for the region and for Turkey. As a result, Turkey became the unlucky neighbor of a country which is most affected by the uprisings and affected in a negative way.

When the civil war broke out in Syria, Turkey suggested to the international community the importance of designating a buffer zone. The situation was not taken seriously but what happened at the end when the war got out of control was many displaced Syrians who had to leave their homes to survive. Moreover, it again struck Turkey the worst economically since it provides from its own resources for millions of Syrian people who arrived in Turkey. Also, it threatens Turkey's security since as

Barkey suggested refugee identity might be used as a mask by ISIS fighters to cross into Turkey. (Barkey, 2014, p.121)

3.3. Deteriorating Relations with Israel

Historically speaking Turkey was the first Muslim country that recognized Israel in 1949 a year after it declared its independence. Two countries forged good relations in the beginning and Israeli PM even made a secret visit to Turkey in 1958 when two sides reached military and diplomatic agreements. (Özcan, 2008, p.110) Though, Turkish-Israeli relations had its ups and downs throughout years. Overall, in the years of the Cold War, the threat perception of two countries differed which prevented them from being involved in a conflict. Israel was worried about Arabs whereas Turkey was feeling threatened by the Soviet Union. Furthermore, Israel always received American help and support, and Turkey too was the beneficiary of American aid in those years. Moreover, in a geography full of dictatorial regimes Israel and Turkey were the only democratic countries. Therefore, they cooperated as the members of the same camp.

We saw rapprochement between two countries during the 90's. Military training, joint military operations, arms sales between the two were ordinary scenes in those years. With the increasing attacks of the PKK in 1990's, Turkey was in need of security which could be provided by Israel only, due to the fact that European countries did not sell arms to Turkey saying there were violations of human rights. However, Israel preferred not to comment on it and focused on its own share in the deal. With the intifadas in 2000's the tensions were high, and the distance between two countries increased. But the ongoing years witnessed ameliorating relations, with Turkey being a trusted partner of both sides in Israeli- Palestinian conflict. So the economic and military alliances improved. In 2000, Israel was given the project to modernize American made M-60 tanks which cost 687,5 million dollars. (Milliyet, 2010) In 2010, during the delivery of the last modernized tank, former Minister of Defense Vecdi Gonul gave information that from the Turkish side Aselsan, MKE, 1st and 2nd Base Maintenance Commands were also involved in the modernization process which

enabled technology transfer through cooperation with Israel that improves Turkey's defense industry capabilities. (Milliyet, 2010)

Other than modernization projects, Turkey had been Israel's primary customer in purchase of Herons, unmanned aerial vehicle until recently. It is a critical device in terms of collecting intelligence for the national security but for long Turkey had looked up to outside sources and depended on its purchases from Israel in particular. However, the relations between Israel and Turkey got worse due to several incidents which pushed Turkey to seek alternatives. The increased criticisms of then Turkish Prime Minister Erdogan of Israeli attacks in Gaza, The Davos crisis in January 2009, and Mavi Marmara incident when Israeli soldiers killed 9 Turkish human rights activists which was the last straw of the sequence of events broke down the relations between the two. Earlier in 2005, when the Herons produced for Turkey could not pass the tests Turkey had to rent another set of Herons from Israel which were to be used by Israeli pilots alone. (Uslu, 2008; "Milli İHA'ya giden yol," 2016) In 2009, Aerostar tactical UAVs that were being used until the delivery of Herons had to be returned because their high noise character was tipping off the targets and it was irritating and inconvenient for Turkey's purposes. ("Israeli Manufacturers Turkish UAV Contract," 2011) When the Mavi Marmara crisis erupted Israeli pilots, the only capable personnel to command the UAVs, left Turkey and the Herons could not be used by TAF. ("Israeli Manufacturers Turkish UAV Contract," 2011; "Milli İHA'ya giden yol," 2016) Moreover, 3 military exercises which were to be conducted with Israel were cancelled after the crisis. All of the military agreements were suspended including closing Turkish airspace to the Israeli military. (MFA, n.d.) In the upcoming years the relations got back on the rails and Israel delivered Herons to Turkey. But there occurred some other problems with them such as incapacity of reaching high lengths, remaining in the air for an unsatisfying time span and even the absence of chips that are required to detect terrorists. ("Milli İHA'ya giden yol," 2016) The absence of some critical sub-systems were also approved at the time by Israeli defense officials as they said Israel would not permit its companies to give export license to Turkey for intelligence systems. Even though Israel was trying to improve relations with Ankara after the incident, Israeli authorities stated that:

the ministry was “responsible for every product that receives an export license” and that it could not currently permit the delivery of the intelligence-gathering systems to Turkey... [and such] decisions are made on a professional basis and in line with security and diplomatic considerations. (Katz, 2011)

So Heron issue turned into a total crisis as they could not be used effectively by Turkey. And the risks of over-dependency for national security came to the surface once again.

3.4. Stuck Within ISIS-PKK-PYD Triangle

One end of the chaos in the border is related to the developments about the Kurds in Northern Syria which deteriorates the situation for Turkey. Kurds in Syria did not have a legal status but they started demanding recognition with the beginning of the civil war. (“Syria rejects Russian proposal for Kurdish federation,” 2016) Within the hectic environment of the war the PYD seized control over Northern Syria across Turkish border which is also close to Kurdish Regional Government (KRG) of Iraq and declared cantons to which Turkey responded on the grounds that such an entity would whet the PKK’s appetite which Turkey has been trying to bring down for decades. Moreover, ISIS changed the balance of power in Syria by contributing to the advancement of the Assad’s forces and also that of the Kurdish movement in the region as they receive support and high-tech weaponry from the West since they fight against the ISIS on the ground. (Tziarras, 2015)

As expected, the cross-border changes had repercussions on Turkey’s Kurdish issue. A peace process that had been going on between the Turkish government and the PKK was expected to put an end to the struggle within Turkey. Kurdish MPs were much more willing to get integrated into Turkish politics through their activities in the parliament. And the PKK had laid down arms which went on for several years. But when the parameters changed outside which shaped the regional politics in a friendly manner to the Kurds who are in favor of political independence, then they realized they had an edge over Turkey in the current scenario. It concerned Turkey even more about what would come up from the Kurdish side. In the new context they were likely to be a more significant actors of regional politics. Especially when the siege of Kobani

resulted in favor of Kurds at the expense of ISIS, it strengthened Kurds' control and power along the Turkish-Syrian border as well as boosting their confidence. (Tziarras, 2015) On July 2015, peace was brought to an end, and the arms struggle started again.¹² So, the repercussions of the Syrian civil war on Turkey's long-lasting Kurdish issue has been undesirable. It plays a part in the termination of the peace process with Kurdish movement and instigated the start of military struggle all over again which marks a major break point for Turkey.

Another end of the chaos stemming from Syrian civil war is the formation of the ISIS which threatens Turkey's security from both across the border and inside Turkey. ISIS is capable of spreading its ideas internationally through using the benefits of the technology. By doing so, it did not recruit people only from Iraq where it originally emerged but foreign fighters from Turkey and European countries joined it as well. As Gambhir mentions (2016, p.31) "ISIS infiltrates cities with terrorist attacks and recruitment networks in Iraq, Syria and regionally, setting conditions for future campaigns". Hence, it would not be an overstatement to suggest that the attacks carried out by ISIS in Turkey are facilitated by the existence of recruits from Turkey inside the organization. Hence, ISIS does not stay as a security threat targeting the Southern borders of Turkey but it manages to become an internal security problem terrorizing cities and civilians in Turkey and creating a de facto security threat for Turkey than for most of the other countries in the anti-ISIS coalition.

The emergence of ISIS, the rise of the PYD along with the PKK is not a subjective threat perception of Turkey. PYD receives support from the West and specifically from the US because it sees the PYD as a viable partner against ISIS that can fight on the ground. (Zanotti & Clayton, 2017, p.2; Lemmon, 2017) Hence, Turkey's opposition to the PYD does not stem from its counterbalance against ISIS but from its connection with the PKK. The PYD controls the Northern part of Syria which is close to where the

¹² The PKK and Turkish authorities blame one another for the end of the peace process but neither side of the argument is adopted here. Rather, what is important for this thesis is the fact that the arms struggle between the PKK and Turkey started again adding to security threats perceived by Turkey, making it another domestic/regional problem Turkey deals with its defensive power.

PKK is located inside Turkey. And the US arms the PYD with the weapons that do not even exist in the inventory of TAF. After providing the PYD with 200 IAG Guardian Armored Personnel Carrier, lately, on February 2017 YPG was seen with Javelin which is a shoulder-fired anti-armor system that rises 150 meters higher and then hits the target where it is most vulnerable. ("ABD'den YPG'ye FGM-148 Javelin anti tank füzesi," 2017) It is a high-tech arms that are also known as an anti-tank weapon system which can fire 3 times in less than 90 seconds and its level of precision is more than 90% in the first strike. ("For Immediate Release," 2007) It is alarming for Turkey because the same weapons were found on 2 PKK terrorists captured dead in 2012 in Şırnak and the US authorities said that it might be fallen from a US helicopter that was doing a check flight and found by the PKK. ("ABD'den YPG'ye FGM-148 Javelin anti tank füzesi," 2017)

The termination of the peace process cost Turkey very high. Restarting in the midsummer of 2015, arms struggle between Turkish security forces and the PKK intensified during the winter. Since July 2015 to March 2017, 897 state security forces were killed during the clashes. Moreover, the fight is not restricted to the rural areas. 48% of people were killed in urban areas while 52% in rural areas. This puts the lives of ordinary citizens in danger as well. Civilian casualties during the period of 2015 to March 2017 was 392.13 ("Turkey's PKK Conflict: The Rising Toll," 2017) As well as showing the severity of the situation, it also alarmed Turkey to take security measures.

It can be observed from the surrounding political environment that it made inevitable for Turkey to respond back to the threats with its military. Because as a result of the external changes Turkey is neighboring many states which have internal fights and shelter terrorist groups which on the other hand exacerbates Turkey's PKK problem. And Turkey is vulnerable to the shifts outside of its borders which do not stay at bay but find a way inwards Turkey. As Volten (2016, p.92) suggested: "Military power is a

¹³ If the youth of unknown affiliation is included the number reaches up to 660

crucial tool in directly providing territorial integrity and security for Turkey's population.”

All of these facts explain the increase in defense spending but what stands out in this increasing trend is that Turkey is canalizing that spending into the development of a self-reliant defense industry. But why does not Turkey rely on NATO and on the US and the arms of defense that it can procure from the professional producers, but opts for developing its national defense industry? Apart from the obvious answer that it is the necessity of being an independent nation state, it is incumbent for Turkey because of the colliding interests of it with Europe and the US. The historic differences of interests were discussed previously in the paper which showed the colliding interests between Turkey and its allies, and the recent events do not prove otherwise. While the US was supporting the anti-Assad forces at the start (namely Free Syrian Army-FSA) just like Turkey, then it shifted its support to YPG which Turkey closely associated with what it called a separatist terrorist organization, PKK.

Unlike Turkey which see the PKK's agenda as terrorism, some European countries like Greece had provided financial and logistical support to the PKK back in 1990's. (Ayca, 2015, p.3; Yargıtay Kararları Dergisi, 2000, p.146) Plus as Martin underlines (2000, p.87) Iraq and Syria too supported the organization for political purposes which worsened the situation from the perspective of Turkey, even more, when the PKK started taking advantage of the power vacuum in the Middle East. The internal and external threats were connected for Turkey. When the threat to its borders from outside actors intensified so did the threats from inside found an environment to flourish. On the other hand, the intensified warfare in the region causes displacement of civilians which puts a burden on Turkey as there is no limit to the refugees Turkey accepts contrary to other European states which allow only a limited number of them into their countries. What makes it even more contradictory and problematic for Turkey is that the refugee card can be used as a way into Turkish territory by the ISIS fighters (Barkey, 2014, p.121) who terrorized Turkey on several occasions.

3.4.1. NATO Patriots

Developing its own defense strategy and materiel is important for Turkey because its Western allies and NATO may fall short of protecting Turkey. Placement of NATO Patriot Missiles in Turkey's South Eastern region can be an example of that. They were stationed as a protection against the attacks coming from Syria on February 2013 upon Turkey's request after the killing of Turkish citizens in a Syrian attack that took place in October 2012. (Goksedef, 2015) Holland withdrew its missiles in January 2015, and Germany and the US stated they would withdraw their batteries in spite of Russian violations of Turkish air space which made Turkey question the dedication of NATO to defend its member in case of an attack from outside. (Emmott, Siebold, & Stewart, 2015) When the incursions happened, only Spanish batteries were in place but they did not want to act alone against Russia.

After Patriots were withdrawn, Turkey and the US reached an agreement concerning the fight against ISIS. A point of contention arose with regards to against whom the jets flying from Incirlik are going to target. Turkish and the US authorities differed in that respect. Councilor of Ministry of Foreign Affairs Feridun Sinirlioğlu mentioned the regime, PYD, and ISIS as targets whereas former Spokesman of Department of State John Kirby said that the campaign was against ISIS alone. (Goksedef, 2015) Although Turkey is coordinating with coalition powers in the fight against ISIS, it cannot talk its allies into a fight against PKK, PYD and Assad regime. This and withdrawal of Patriots prompted Turkey to develop its own national missile defense system said former Defense Minister Ismet Yilmaz. (Goksedef, 2015)

Various defense systems are being developed since 2005 by Roketsan and Aselsan which are actively used in operations by TAF in current conflicts in the region. New systems and capabilities brought about by its new equipment enable Turkey to actively involve in regional issues when its security is at stake. In 2003 Turkey could not pass the proposal from its Parliament to let US troops using Turkish bases. After a little longer than a decade, when Turkey became much more confident due to its self-reliance in the defense industry, Turkey entered into Syrian territory in 2015 in order to secure Tomb of Suleyman Shah which was besieged and was also threatened

to be destroyed by ISIS. (BBC, "Why is Suleyman Shah's tomb so important?," 2015) As the site was accepted as Turkish territory, protecting it from any outside attack was seen to be the duty by Turkey since Syrian government had no control over its Northern Territory. It resulted in Turkish troops entering into Syria, destroying the historic tomb and moving it to a secured place.

3.4.2. Operations against ISIS

After the small operation of Suleiman Shah, Turkey got into the Syrian borders with much more bigger military action known as Euphrates Shield in August 2016. Turkey's intention with the operation was to secure Azez-Jerablus line, and Special Forces of TAF and Turkish Air Forces supported FSA in land and aerial operations with troops, tanks, and warplanes. 100 km-long line of Turkish-Syrian border is secured and 2,000 square km area inside Syria is controlled banishing ISIS from the territory neighboring Turkey, establishing a safe zone securing its borders. (Osborne, 2017; Kasapoglu, 2017) It also prevented PYD cantons from coming together about which Turkey is very prudent for its possible effect on strengthening of the PKK. (Sönmez, 2017) With this operation, Turkey and opposition forces took control of Al-Bab, Jarablus, and Dabiq from ISIS in February 2017.¹⁴ While doing the operation Turkey was not backed up by another country. Regarding the issue, U.S. Colonel John Dorrian said on November 17 that Turkey's operations on Al-Bab were undertaken independently and the anti-ISIL coalition did not support it. (Demirtaş, 2016)

The situation in Iraq presents another regional security concern for Turkey. After ISIS took control of Mosul in 2014, one of Iraq's major cities, and started operating from there, it has shaken down the already divided Iraq against which the central government could do nothing. On 11 June 2014 Turkish Embassy was invaded by ISIS militants and the personnel was taken hostages for 101 days. When an operation was discussed to take Mosul back Turkey too insisted on being both on the table and on the ground even though Iraqi government did not want Turkey to be involved. ("The Battle for Mosul in maps," 2017) The insistence of Turkey to be present in steps taken

¹⁴ Al-Bab is the most strategic city after Raqqa; 30 km away from Turkey's border, also on a key route towards Iraq, Raqqa, Aleppo and Deir-al-Zour.

in Mosul is a result of its confidence in its ability to defend itself and determination to be a country which has a say in the reshaping of the geography that affects its present and future. The conjunctural changes and its murky relations with long term allies pushed Turkey to become self-sufficient and independent in foreign policy which results in assertive moves taken by Turkey.

All in all, Turkey was deeply affected by the conjunctural changes of its region. The threat that started with the invasion of Iraq, grew serious with the PKK taking up arms. The democratic peace process to settle the Kurdish question put a hold on the use of arms which was reversed with the Arab uprisings and the void created in Syria by the civil war. It, directly and indirectly, affected Turkey's national security. It had direct consequences since there were bombs hitting Turkish cities along the border and endangering the lives of Turkish citizens. It indirectly left Turkey vulnerable firstly by opening up a space for the PKK connected PYD in the Northern part of Syria which encouraged the PKK to take advantage of the chaos. Secondly, by facilitating the formation of the Islamic State that carried out attacks in Turkey and recruiting people to fight.

While all of the anti-ISIS coalition countries are worried about ISIS alone, Turkey feels also insecure by the parameters formed by PYD and PKK. Moreover, the successive crisis of Davos, Mavi Marmara and Heron with Israel costed Turkey a strategic partner for its military modernization and for its arms of defense purchases. Turkey not only diverges with its long term strategic partner, the US, in terms of whom to side with in Syrian civil war but also with its Northern neighbor Russia and Iran who support Assad regime. Israel no longer provides arms to Turkey unconditionally unlike 1990's. Even when it does so, there are problems with the procured arms which cannot be tackled by Turkey alone.

To conclude, this chapter discussed the conflicting interests of Turkey with its partners, the heated up and unsafe environment both inside and outside Turkey which pushed it to invest in the national defense industry. I first presented a historical outlook at Turkey's security perspective, then explained regional changes that mount

up the arms race. I reviewed Turkey's relations with the countries in the Middle East and also in the West. Overall, I showed that the regional conjuncture and lack of trust in allies are important components of the action-reaction model which convinced Turkey to develop a national defense industry. In the next chapter, I will deal with the domestic structure which is another motivation for a country to sustain its industrial self-reliance.



CHAPTER IV

APPLICATION OF DOMESTIC STRUCTURE MODEL

There are several ways through which domestic structure figures in the development of a national defense industry due to the fact that it can be used as a means of domestic politics by politicians. On the one hand, politicians promise new investments and jobs through pledging investment in defense which increases their appeal to the electorate. On the other hand, politicians know that acquiring their own arms of defense enables them to use it as a tool of foreign policy against other countries either to deter aggressors or to attack in the name of country's sovereignty. It means boosting of a national glory for the country and for its people which can be used by policymakers to justify their investments in country's defense. Both country's glory and prestige outside, and employment opportunities that are attained as a result of national defense build-up play a role in electoral politics.

Another way through which domestic structure affects national defense is explained by Military Keynesian approach. According to this approach the state increases military spending as it stimulates the economy. Apart from the promises made by political parties, the defense industry is inevitably the pioneer of creating jobs, especially for the qualified workforce. In addition to Military Keynesianism, the military-industrial complex is another important variable that encourages investments in country's defense. Industry owners in that respect are motivated by their personal material gains rather than sustaining the security of the country. So it has to do more with the economy than politics and security.

As can be seen, a country's internal motivation to invest in defense has got implication at domestic level which is two-fold. It has socio-political consequences that indirectly affect the society and economic implications that have direct consequences. Socio-political consequences will be mentioned in this chapter whereas military-industrial complex along with Military Keynesian approach with both the reasons that motivate the politicians and reflections of it on country's

economy are going to be mentioned in the next chapter where Political Economy of the Defense Industry will be dealt with in detail.

4.1. Meaning of the Defense Industry for Politics

The real strength of a country's military is not measured by the buying capacity of a state or the share of the military expenditure in GDP. A state can procure defense equipment from heavy arms and land vehicles to electronic systems and missiles. But this does not free a state from the rules and regulations that apply to it and limit areas of usage of those materials. Moreover, even though that state does not see any harm in procuring arms from foreign firms, modernization and maintenance issues force the buyer state to cooperate with the producer. (Beckley, 2010, p.55) This dependence makes any state seem weak and vulnerable before other states and in the eyes of its own public. Such an image is unacceptable for politicians which might cost them their office for the incapacity of sustaining security and even honor of the country. Hence, industrial self-reliance in defense is a significant issue that politicians care about if not in reality at least in a discursive level that would be enough to convince the public to carry them to the office.

In the case of Turkey as well the concern for the issue depends on both security and prestige. Historically speaking the idea of military, war, defense/offense, and the army is highly revered among Turkish public. In history classes, it is being taught that ancestors of Turkey were warriors and conquerors who fight not just to protect themselves but also rush to help those in need. Army-nation is a phrase that is used to describe Turks which means that every single member of the nation is considered to be a potential soldier in case of mobilization of which people are proud. Military service and soldiery were and still are held in high regard. Even today, the fact that Turkey has the second largest army of NATO is considered to point to how big and strong of a country Turkey is by the people. Even when it is just in terms of the amount of military personnel, people take pride in that. So empowering the country with a growing defense industry that can manufacture its own arms and meet the growing needs of defense internally would definitely be something to cater to the nationalistic emotions of the electorate. The motivation provided by regional threats

to develop a national defense industry was mentioned in the previous chapter and now I will be dealing with its electoral aspects.

Since the first decade of 2000's, what Turkey aims to do with its initiatives and enterprises in the defense sector is sustaining self-sufficiency and being able to produce the critical technologies in the defense industry on its own. As mentioned in the previous chapter there is a real threat stemming from the upheavals and terror in the geography. As the geographical security threats force Turkey to prioritize its defense in general and development of a national defense industry in particular, it also became high on the agenda of the politicians. This resulted in the increase in self-reliance in defense which is a useful election tool that boosts the country's prestige in the international arena and chalks up points to the politicians. What makes investments and developments in the field of defense a critical policy tool and more important than any other public investment is its multifaceted reflections that affect fields other than defense. First of all, it promises to increase employment which provides jobs for educated and qualified people. Secondly, it decreases country's dependence on outside sources which makes economically a positive effect on the budget. Moreover, as it decreases dependence of the nation for its protection it is a sign of independence and sovereignty. Last but not least, it gains the country prestige in the international platforms by making it a deterrent power, puts it on equal footing with other renowned countries. All of these benefits that are provided by a nationally self-sufficient defense industry motivate politicians to do such investments which are going to add distinction to them by being used as a tool in a loaded election campaign. However, pursuing such policies and arriving at successful results also take a determined political will which can be set out by a strong government policies of which are not disrupted by election results. So as to show the importance of continuing state policies, I will be reviewing electoral politics pursued by political parties.

4.2. Electoral Politics

Even though domestic structure model is complementary to action-reaction model, the model which argues that military build-up of nation-states motivate other

countries to increase spending on defense which as a result lead to an international arms race, it is of great importance to point out how political parties evaluate the situation they are in and how they reflect it during their time in office and during elections. Here, I will be looking at how major political parties in Turkey assess the defense industry and what solutions they come up with in regard to national security and defense as part of their party programs. I will be analyzing election declarations of AKP, CHP, MHP, HDP and how much coverage they gave to the topic. Since the invasion of Iraq precipitated the series of events that changed the dynamics in the region and helped Turkey shape the policy of nationalization, 2003 is going to be the starting point of my discussion. I will evaluate the motivations of parties before and after Iraq's invasion through their election declarations to see how it changed along with the changes in the region.

The statements and promises made in these documents can be realistic or unrealistic but this is not part of the discussion here. Whether they are genuine or not they were used prior to elections by political parties as tools to gain the trust of the electorate. Hence, they deserve a thorough analysis. Promises about national defense and nationalization of defense make people feel more secure and think of their country more proudly as it is much less dependent on the outside sources for its own protection. It is an assurance of sovereignty which makes the politicians and their party more credible in the eyes of the people, and credibility is what counts for the electorate and what affects whom they are going to vote for in the next elections.

4.2.1. Ruling Party: AKP

While the issue of defense was not specifically referred to in the election declaration of the AKP in 2002, it was mentioned in part by saying that the extended volume of trade would enhance regional security. (AKP, 2002, p.59) It was also stated in the declaration that rescuing Turkey from the sectoral dependence in export by diversifying its industrial base was important. Although it did not specifically mention the defense industry, "diversifying industrial base" might be taken to be alluding to Turkey's security and the necessity of defense policies. However, it also shows that industrialization in defense was not part of the discussion prior to 2002 election. Due

to the urgency of issues related to social welfare and economy, defense policies were unambiguously not high on the agenda.

Approaching the election 2007, what agitated the society and had reflections on the politicians in Turkey also influenced the policies to be followed by the government. The fact that Iraq was invaded by the US in 2003 and the new federal system gave Kurds in Northern Iraq an autonomous government was a brand new problem which was not alarming for Turkey in the days of Saddam Hussein. (Mercan, 2016, p.107) Now that the system has changed, Kurds became the advantageous party in the country, self-governing policies of which could stir up the PKK's aspiration for independence. On the other hand, there was not a strong central government in Iraq that could allow operations of Turkey, unlike Saddam Hussein. And having an alliance with the Americans to whom Kurds in Northern Iraq owe their independence, they were closer to the Americans than to Turks. Having alleviated the most pressing socio-economic problems of Turkey, brought to the surface these problems which gave to politicians and to public new concerns to deal with. In 2007 the government was more assertive in its claims about country's defense.

In order to make Turkey a global actor with determining power, the AKP saw it imperative to combine country's deterrent power with its soft power. (AKP, 2007, p.232) Security in the region was maintained by being able to communicate and solve the conflicts between different actors in case of Palestine, Lebanon, Syria, Iran which was facilitated by shuttle diplomacy and mutual trust. (AKP, 2007, p.235) So, the AKP utilized its soft power both in diplomatic and in electoral senses and it could utilize its defensive power in security and electoral senses. Prior to 2007 elections government took new measures to modernize the Turkish Armed Forces for the first time. The projects of national corvette ship, tank, UAV, and attack helicopter projects were given a start which all catered to protect security through surveillance, defensive and offensive policies. Whereas the ability of domestic sectors to meet the demand of TAF was 25% in 2002, the 2007 election declaration draw attention to how it increased to 36% in 2006. (AKP, 2007, p.250)

In 2011 elections parties attributed, even more importance to the issue of national defense which is reflected openly in their declarations. The AKP declared that the R&D employment in fields such as defense, health, and energy would be promoted. (AKP, 2011, p.75) Whereas defense requirements of the country were met from foreign resources until recently, the AKP takes pride in domestic industry's capacity to meet half of the TAF's needs. (AKP, 2011, p.76) The AKP says that the experience it has accumulated in the field of defense will be used in its next term in government to provide added-value and increase the quality of the workforce. (AKP, 2011, p.76) Moreover, this added-value and workforce are said to be transferred into high-tech sectors such as transportation, health, and energy; as well as into low-tech sectors such as agriculture, textile, and tourism which will ensure they continue their competitive edge in the world. (AKP, 2011, pp.76-77) By saying that arms of defense produced locally does not only meet the domestic requirements but also are being exported which generates a serious economic value, the AKP shows the electorate that its activities in the field of defense benefits country's own security as well as its economy. Three and a half pages long section of the "defense industry" details what the AKP has done so far, what it gains the country economically and security-wise, and what will be accomplished in the forthcoming terms. (AKP, 2011, pp.84-87)

The vision provided by the ongoing defense projects since the beginning of 2000's impelled political parties in 2015 elections to attribute greater importance to the subject. Having been the ruling party and having payed particular attention to the defense industry, the AKP concentrated on it in 2015's declaration. (Mevlütöğlü, 2015) In the document, the rise of the defense industry exports was highlighted and it is emphasized how Turkey became a part of the international market in the sector. (AKP, 2015, p.201) The projects that are concluded and ongoing were listed in the document with a specific emphasis on "national" such as national tank, national anti-tank, national missile, and national torpedo. Besides, the names given to such projects have national references several of which are Milgem, Hürkuş, Altay, Göktürk, and Türksat. The language that is being used is significant as it influences the way people looks at and evaluates the projects. In the declaration it was also stated that with the communication satellite project the aim is to make Turkey one

of the 10 countries that can produce its own satellite. (AKP, 2015, p.275) The part about defense is concluded by saying that all of these projects would ensure Turkey's security and increase Turkey's deterrent force. (AKP, 2015, p.276)

4.2.1.1. 2023 Vision

2023 Vision of the ruling the AKP government deserves attention because it is being used in every election campaign very effectively. In 2012 government put forth and released the 2023 vision it anticipated for Turkey, in which it was stated that so as to become a leading country in the region and in the world, Turkey's military and defense must be deterrent and modern. (2023 Vision, 2012, p.70) It became more important than a regular election manifesto which completes its life after being used excessively for a couple of months prior to elections. The part about defense in the document goes with the following:

The defense industry has improved during our government. From a country that could not produce even its infantry rifle, Turkey became a country that will start producing its own national tank. We have prepared all of the infrastructures to manufacture a modern national tank which we called Altay. We have started the test flights of Anka unmanned aerial vehicle that flies at 10 thousand meters altitude and stay in the air for 24 hours. During our government, in the procurement of weapons, equipment and ammunition the share of national production and technology increased almost to 50%. Now, we export weapons. As a part of 2023 vision, we aim to have a Turkey designing and producing all of its military defense needs.¹⁵ (2023 Vision, 2012, p.70)

This document gained more significance than periodic election campaigns with the future it envisions for Turkey. The commitments it makes extend its appeal. It underlines the improvements in the defense industry, emphasizes the economic gains and independence brought about by industrial self-reliance. Since 2012, the points declared in the Vision is being intensely used especially by President Erdogan and Prime Ministers throughout years during their speeches, public gatherings, and meetings rallying people around an aim which means national glory and honor as it envisions and promises a strong Turkey with its economy and security. Overall, the document plays a significant role for the government in its electoral politics.

¹⁵ translation from Turkish is author's

4.2.2. Opposition Parties

4.2.2.1. CHP

The largest opposition party the CHP, gave more coverage to the issue of defense in 2002 which is the first election the AKP took part in. The party stated that full support will be given to high-tech sectors such as information technology, biotechnology, and the defense industry to make them the driving force of the economy. (CHP, 2002, p.34) In order to promote the export of products of such sectors, the CHP declared that it will provide an environment for the establishment of silicon valleys in Anatolia where infrastructure and human resources are available which was an answer to the chronic problem of unemployment pointed out in the manifesto. (CHP, 2002, pp.24-34) Moreover, national defense needs were aimed at being met more by the means of national industry which is showing the electorate that the party is working for national glory and independence.

In 2007, by stressing how badly the country was managed for the last five years the CHP draws the attention to poverty, unemployment and country's internal/external debts. (CHP, 2007, pp:24-30) Moreover, the CHP remarked that the national unity was under threat and one of its primary reasons terror would be actively fought against once the CHP came to power. (CHP, 2007, pp:1-2-8) The proposed solution was an outward national industrialization which will decrease unemployment. (CHP, 2007, p.30)

In face of increasing threats coming across the South Eastern borders, in 2015 the CHP introduced its standpoint about defense by stating that the border security would be re-established and that the hardware and capabilities of security forces would be ameliorated. (CHP, 2015, p.164) In order to combat terrorism, the CHP suggested to make more bilateral agreements with countries in the region. (CHP, 2015, p.205) However, there were no specific project proposals in its declaration. In terms of country's defense, cooperation with international institutions like UN and NATO was brought to the forefront. (CHP, 2015, p.203)

4.2.2.2. MHP

In its 2002 declaration, MHP mentions the defense industry by saying that investments will be encouraged and supported in technology intensive sectors. (MHP, 2002, pp.50-51) Acquisition policy in national defense will depend on R&D which will be used to enhance country's competence in technology and innovation. (MHP, 2002, p.107) MHP lastly mentions the importance of defense maintenance which it finds vital in terms of the security of the country and counterterrorism. (MHP, 2002, p.122)

Similar to the aim of the AKP, in 2007 MHP underlined that TAF should be raised to the level of the most advanced armies in the world. (MHP, 2007, p.24) In the declaration it was stated that Turkey's location, historical and cultural heritage makes it responsible to contribute to peace through a strong defense system. Additionally, MHP pointed out that since it was also about decreasing dependence on outside, indigenous defense industry will be encouraged. (MHP, 2007, p.25) Emphasizing country's sovereignty and national independence through an indigenous defense industry is particularly important for MHP as it puts a premium on nationality in its discourse. Furthermore, defense project investments are told to be prioritized under the heading of "public investment policies" because it is seen as a lever for the economy which will range up society's welfare. (MHP, 2007, p.79)

Different than its previous election messages, in 2011 MHP stated that in the field of defense and security a national satellite would be produced; national software systems would be developed and implemented and Turkey's defense industry would be producing technology instead of transferring it. (MHP, 2011, pp.96-181) With its own capacity to develop technology, Turkey would then export what it has produced. (MHP, 2011, pp.96-182)

On top of what it has suggested in previous declarations, in 2015 the MHP claimed to start new modernization programs in order to increase the deterrence of the TAF and make it one of the strongest armies in the world. (MHP, 2015, p.245) It also promised to increase the employment of professional personnel in TAF who are specialized in

the use of high-tech. The MHP stated that it would establish an independent, indigenous war industry and give economic incentive to domestic investors who want to produce military supplies and weapons. (MHP, 2015, p.246) In order to support the development of the domestic defense industry the declaration underlined that the needs of defense would be met primarily from national procurement system. (MHP, 2015, p.247) The MHP gave the signals of establishing an aerospace institution and "Cyber War and Electronic Security Command" that would work to prevent asymmetrical threats to country's security. (MHP, 2015, p.247)

4.2.2.3. HDP

The HDP on the other hand, in its various party forms did not give the same attention to the issue of national security unlike ruling party and other opposition parties. In 2011, the BDP declared to end compulsory military service and accord a right to conscientious objection. (Gedik, 2012) In 2015, it did mention the issue of security only marginally by declaring that defense/security expenditures would be reduced and become open to public inspection, and that discretionary fund would be abolished. (HDP, 2015, p.30)

In this section, I analyzed the evaluation of national security and defense industry by the main political parties in Turkey. Election declarations of all the parties showed that the AKP as the ruling party that holds the aces for 15 years is ideologically invested more in the issue of security and defense. Moreover, it has a chance to prove its dedication through realizing projects as the governing party which is not an option for the rest. On the other hand, the MHP is more concerned with the ideological value of nationalization whereas the CHP is focusing on how badly influenced the security of the country by the policies pursued by the government and regional political changes. As opposed to all the other parties, the HDP appears to be against any kind of militarization with its agenda of revoking compulsory military service.

In the next section, I will discuss in which ways the domestic structure is influenced by the defense spending. Since it is not only the military power of the country that is influenced by the defense investments, it is important to pay attention to its various positive and negative externalities which influence the public perception of the

government's performance. As Ram (Ram, 1993, p.28) and Viotti (Viotti, 1994, p.4) suggested commercial spin-offs benefit other sectors, and improve the conditions for their workers as well. Although the results of these improvements are known as positive externalities which can be used as a policy tool by politicians in their campaigns and speeches, negative ones can be kept in dark which makes examining them particularly important.

4.3. Externalities of National Defense Industry

4.3.1. Positive Externalities

The competence of Turkish defense industry in the international market is closely associated with its R&D investments which bring about its authenticity. From 2006 to 2011 the ratio of meeting the needs of defense industry domestically increased from 36.7% to 54% and to 60% in 2016. (SSM Performance Programme, 2013; TOBB Sector Report, 2012; SSM PP 2016, p.4) Other than its effects on country's security as a direct consequence of the process, there are indirect consequences that generate greater results for the country.

Apart from increasing the volume of the defense industry, it also increases the defense-related manufacturing industries. Moreover, the high-tech involved in the making of defense industry products will further enhance technological advancement and will boost product development. By doing so it firstly augments the use of existing capacity and then it improves the capacity by incorporating new techniques that industries come up with in the process. Furthermore, it will increase employment which in great proportion takes in the qualified workforce. In 2006 the workforce employed in the defense sector excluding TAF personnel was 30.808 all of which were skilled. (TOBB, 2007, p.7) In 2012 this number increased to 33.491. (Sasad, 2013, p.10) When it came to 2015, engineers comprised 34% of the total number in the sector which means that design and development are really intense and expertise is highly required. (Sasad PR, 2015, p.12)

Another indirect contribution of it is seen in the use of the same technology in different fields. For example, Aselsan is a company established to meet the demands

of Turkish Armed Forces and it specifically works on technological products and invests in R&D. It now uses the knowledge and experience it has accumulated since decades while working for military innovations. In 2015, Aselsan set up another institute called UGES operating under its roof which utilizes Aselsan's expertise and technology at its disposal in fields of transportation, security, energy, and automatization. In cooperation with TEMSA, it produces electric buses for instance. Aselsan Electric Vehicle System's Manager Murat Topçu underlines the importance of such technology by referring to ripple effects of military technology:

Control systems of the bus are the ones developed by us for military vehicles. We carried these units to civilian use... Electric motor, control unit, engine feed and other necessary inverters of the bus are produced nationally by Aselsan which can be used in various vehicles from naval platforms and rail systems to wheeled vehicles. ("Aselsan-Temsa elektrikli otobüs geliřtirdi," 2017)

Furthermore, Aselsan uses the technology in its hands so as to decrease the external dependence in the healthcare field. It is developing an MR system in cooperation with Bilkent University which is expected to make imaging process five times faster, decreasing the time span a patient is spending in the scanner and increasing the number of patients a scanner can take in the same time interval. By doing these, Aselsan UGES intends to get intellectual property rights in medical imaging devices. ("Aselsan sađlık sektörüne öncülük edecek," 2015) Such a ripple effect is caused by increased R&D spending which is prioritized by the company. Minister of National Defense Fikri Iřık refers to the defense industry as the sector that has done the most investment in the R&D and technology. (Annual Activity Report, 2016, p.8) In 2015, Aselsan became the first in the list of ARGE 2015, a study that reveals the top R&D investors in Turkey. ("Beklenen arařtırma tamamlandı," 2016) According to the same research, in 2014 its investment was \$807 million and rose to \$912 million the next years.

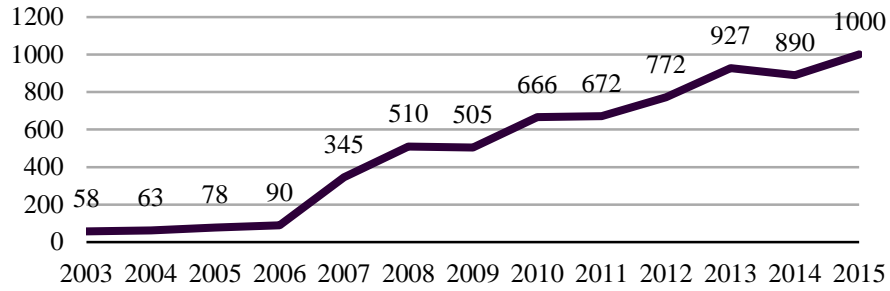


Figure 4.1. R&D Spending in Defense Industry (million \$)¹⁶

Apart from in-country production, its expertise made Aselsan a member of the team that will enhance NATO Ballistic Missile Defense (BMD) Program which will be headed by Leidos-USA. Other than Turkey the countries involved in the project are Canada, France, Germany, The Netherlands, United Kingdom and the United States, all countries with high technological capabilities. (“Aselsan Joins BMD Team,” 2015) Such a collaboration in the field of a modern defense program will strengthen Turkey’s capabilities that will then contribute to developments in related technologies. All of these clearly indicate how military technologies can benefit other sectors of a country and upgrade its companies in the international arena.

Other than the application of military technology to different fields, new military equipment can also be used for civilian purposes. The arms of defense are no more composed of weapons to kill or inflict damage unlike those of the 20th century. There are very complex, high-tech products like UAVs which can be armed and unarmed that are used to eliminate targets or to surveil and discover. One of Turkey’s three UAVs is Vestel’s Karayel which is being used to surveil pipelines, frontiers, and immigrant groups, and also as a fire extinguisher. (A. Erkan, personal communication, November 12, 2016)¹⁷

All of these are results of the positive spillovers that are generated by the development of technologies through making investments in the national defense

¹⁶ Source: SASAD and SSM’s reports from 2003 to 2016. Data of some years is retrieved from SASAD and missing data is completed from SSM’s reports.

¹⁷Vestel’s Marketing Manager Aytül Erkan remarked during our personal communication in exhibition of defense products.

industry. However, there are also downsides of funneling a large amount of money into defense sector which brings about its negative externalities.

4.3.2. Negative Externalities

Although Turkey is a developing country which does not suffer from scarcity of resources unlike LDCs, the criticisms about downsides to defense expenditure are still drawing attention to negative spillovers. The basic argument starts with the idea that there can be more investment in education, housing, transportation and all the other sectors that affect the wellbeing of the society more directly if there was not large amount of spending in country's defense. That is why Arnold Wolfers (1952, p.487) remarks increased armaments even though it leads to more security may cause opposition for decreasing social benefits. Seeing the trade-off caused by security spending versus other social benefits clarifies what brings about the point of contention within the country. In case of Turkey however, there is no striking increase in military spending since 2003. (see figure 5.5 in page 79) Conversely, 2015's military expenditure is lower than that of 2003. While military spending stays nearly the same, Turkey's GDP is increasing. Since the share of the military expenditures within its GDP is declining, there is no apparent negative influence on Turkey's budget for socially benefiting sectors.

However, it can be argued that more money could be allocated for socially constructive projects by cutting down on the budget of military projects. Budgets of various ministries reveal the priority given to different sectors in 2016:

Table 4.1. Budgets of Ministries in 2016 (TL) (Source: BİK, 2016)

Ministries	Budget of 2016
National Defense	26.451.504.000
National Education	76.354.306.000
Health	4.133.959.000
Labor and Social Security	38.373.835.000

The budget of the Ministry of National Defense is higher than the budget of the Ministry of Health and it seems to be smaller than those of Education, and Labor and Security. However, Turkey's defense spending is not limited by the budget of the Ministry. Undersecretariat of Defense Industry is an autonomous institution functioning under the roof the Ministry but it has its own budget. Total cost of project agreements under UDI was 85.428.873.857 TL in 2015 which can be taken as an indicator that such huge amount of money is being spent on defense in general. (SSM, 2015, p.48) If the chances were given to other sectors, they could have used it effectively which would enhance social welfare. Moreover, there is the discretionary fund at the disposal of the President which he can give to any institution he sees fit. Its very existence is being questioned as there is no transparency about where it is canalized. It might be contributing to non-defensive purposes but there is a reason for the discretionary fund to be kept as a secret whereas there is no need for socially constructive projects to be paid privately from the fund. Hence, it is generally assumed that the fund in great amount is comprised of highly confidential payments that concern security, defense, and interests of the country.

Quality personnel lacked in other sectors is another critique to employment in the defense industry. In order to see the distribution of employment across sectors in Turkey looking at workers in each sector will be explanatory. There were 893.092 teachers within the body of Ministry of National Education; 31.375 people working in defense industry and 359.289 soldiers in Turkey in 2015 (MEB, 2016, p11; SASAD, 2015, p.12; Cumhuriyet, 2016) In the defense industry in 2015, 34% of the workers are engineers which correspond to 10.660 people. (SASAD, 2015, p.12) The hiring of engineers in the sector is said to increase employment on the one hand but on the other hand, it is only a limited number of the same workforce. Furthermore, the situation of these people in military-related sectors is criticized for preventing the highly qualified workforce from engaging in projects that benefit the society through contributing to projects that serve to people which can make their everyday lives easier. But whether or not 10.660 engineers in defense create a scarcity of workforce for civilian sectors is disputable.

Overall, this chapter made an analysis of the domestic structure in the formation of the national defense industry. In that vein, it discussed how politicians read the country's necessities and represent it to the electorate in such a way to outpoint other political parties which will enable them to win the elections. It then elaborated on the positive externalities the industry brings with it. However, its effects are not limited to the benefits it provides so its possible negative externalities are also pointed out. Following the above-mentioned analysis, the next chapter is going to expatiate on the economy of the defense industry.



CHAPTER V

THE POLITICAL ECONOMY OF MILITARY DEFENSE INDUSTRY

Defense expenditures of countries worldwide started to show a decreasing trend with the end of the Cold War. It did not take longer than a decade for the arms race to go on with the start of the global war on terror, invasion of Iraq and many other regional conflicts as discussed in chapter three. Increased military expenditures have for sure social, political, and humanitarian aspects but there also is economic implications of it. Military industry means huge economic revenues for countries that sell their arms abroad and it means enormous economic costs for those which procure from outside such arms due to the lack of industrial self-reliance. The five countries that have major shares in the international arms transfer namely the USA, Russia, China, France, Germany are responsible for 74% of the volume. (Fleurant & Perlo-Freeman, 2016, p.2) And since the arms of defense are state of the art technology products to which a lot of time, research and development, and human capacity are invested in, they are hard to create and hence expensive. Once they are obtained through export license, country of final destination is not free to use it in any way that it wants but it is bounded by international agreements. Therefore being the creator and sole owner of these high-tech arms is highly profitable for a country in the sense that it will boost technological advancement which will in return contribute to defense industry as well as other industries that benefit from technological advancements. Overall, these make a country competitive in the international market and it increases the volume of its economy. In this chapter firstly I will look at the military expenditures in the world and their implications on economies. Then I will analyze how Turkey moved from import dependent military industry to a much more self-reliant country in terms of defense, and look into the effects of it on Turkey's economy in order to show the economic rationality aspect of Turkey's arms development.

5.1. Effect of Arms Industry on Economy

As discussed in the literature, academic studies suggest that there can be two outcomes generated by defense spending. These are positive and negative impacts of military expenditures on a country's economy. What are the implications of national military build-up on the economy of Turkey? Turkey is the 18th largest economy in the world. Even though until 2010 its military expenditure per GDP was above the NATO standards which is 2%, it had been procuring its main military inventories. Starting with 2000's with the initiatives taken by the state, UDI started financing and coordinating the projects for the development of defense of arms for the use of Turkish Armed Forces (TAF). That makes private entrepreneurs and businesses the recipient of the projects which are given by the state institution to them. Hence, they are not the actors who can promote military projects for their own economic benefits. Studies of Dritsakis (2004), and Kalyoncu & Yücel (2006) shows that economic growth induces defense spending, whereas studies of Sezgin (2001), Karagol & Palaz (2004), and Chia-I Pan et al. (2015) indicates defense spending increases economic growth in case of Turkey. So either way, for Turkey defense spending and economic growth are proven to be complementary to one another.

Previous chapters showed that what makes economies of developing countries vulnerable is their import oriented defense expenditures than other public expenditures such as education, transportation, and health services. (Canbay, nd, p.4; Chan, 1985:34) This creates a balance of payments problem as the price of defense goods per kilogram is much too higher compared to the price of other manufactured goods, and agricultural products. Foreign dependency of such kind damages a country's economy by creating a trade deficit as well as leaving its national security at risk since it is dependent on arms production. (Davutoğlu, 2010, p.39) This can only be circumvented through exporting more of high added value goods like in the case of the state of the art technology products of the military which can be attained through ensuring self-reliance in the defense industry.

As the domestic production of arms of defense decreases the balance of payments by reducing imports, the market of arms of defense is also a way for increasing

exports which contributes to balance the payments. Demand for arms of defense in the international market is very high and it is a very lucrative business because of the state of the art technology involved in it. That means what makes arms industry products economically valuable is their high added value. So exporting the domestically produced arms of defense makes a positive impact on the balance of payments too. (Canbay, n.d, p.5) The price of defense industry exports is \$26-30 per kilogram as R&D and high-tech are being intensely used in the sectoral products. ("Savunma ihracat taarruzunda", 2015) Because the state of the art technology is used and a lot of time, research and development, and human capacity are invested in the making of the defense industry items, its products are hard to create and hence expensive. This gives an advantage to the countries which export them. Because even in the high-tech electronics that use R&D and latest innovations highest unit price of export is \$7.39 for Turkey. (Özdemir, 2015) In 2015, while kilogram price of exports for Germany was \$3.68, it was \$3.86 for Japan, \$2.7 for South Korea which are countries that intensely use high-technology and only \$1.4 for Turkey. (Tim, 2017) A way to increase the average value of Turkish products on the international market is by having a share in a sector technologically superior and economically valuable like military defense industry.

5.2. Military Expenditures in the World and in the Region

Defense expenditures in the world had shown a decreasing trend towards and after the end of the Cold War and with the absence of perception of threat stemming from the existence of Soviet Union which brought an end to the arms race between communist and capitalist camps. Although the decrease in military expenditures continued about a decade, it has been rising incrementally ever since the increase in the expenditures of the USA was triggered in 2000's with the perception of a new threat which culminated in the invasion of Iraq. (SSM Performance Programme, 2016, p.17) (see Figure 5.1)

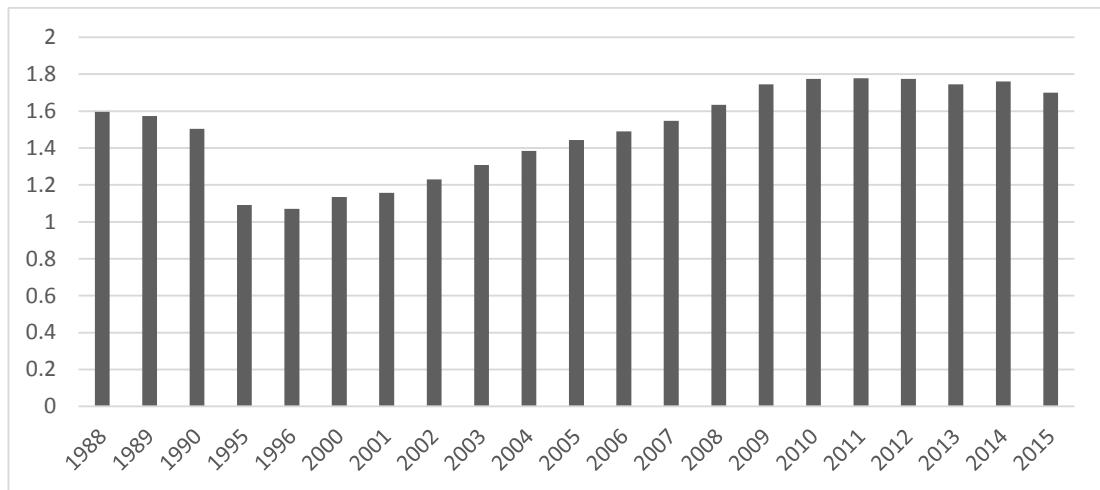


Figure 5.1. World Military Spending (billion USD)¹⁸

From 2003 through 2015 world military spending has risen about 35% from \$1.3 trillion to 1.7 trillion. Although there is an increase overall in real terms, regionally there are differences. Asia, Central and Eastern Europe and the Middle East show increasing trends. The fear emanating from the Russian invasion of Ukraine boosted the military spending of neighboring countries in Europe. (Fleurant & Perlo-Freeman, 2016, p.3) In Asia conflicts with China made an impact on military spending of countries such as Indonesia, the Philippines, and Viet Nam. (Fleurant & Perlo-Freeman, 2016, p.3) Japan's military expenditures increased as well emanating from threat perceived both from China and North Korea. The Middle East is not different in following the trend. But it should be noted that there are countries figures for which are unavailable. However, there are internal and regional conflicts pushing military measures to take the front seat for the Middle East as well.

¹⁸ Source: Statista 2017: <https://www.statista.com/statistics/264434/trend-of-global-military-spending/>

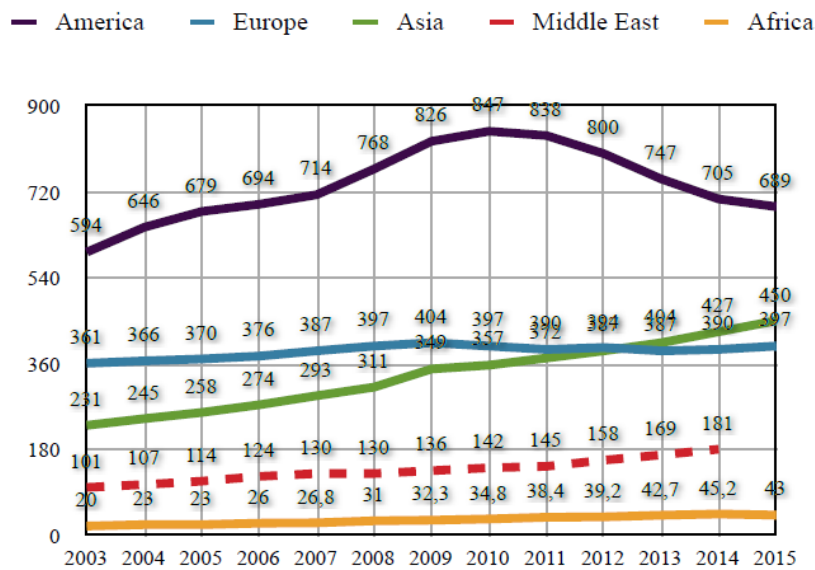


Figure 5.2. Military Spending Across Regions¹⁹

Iraq's spending from 2014 to 2015 increased by 35% and reached to \$13.1 billion. Saudi Arabia's spending was \$87.2 billion in 2015, military burden (%13.7) of which is higher than any other country on the global scale. However, the extreme rise in its military burden is not caused by GDP decline. On the contrary, while Saudi Arabia's GDP increased by 201% between 2003 and 2015 from \$214.5 billion to \$646 billion (World Bank), its military expenditure increased by 208%. Similarly for Turkey from 2003 to 2015 there is a rise in GDP. However, as there is no dramatic change in the military spending of Turkey what we see is a decline in its share of military burden. From 2014 to 2015 active armed conflicts in the world increased from 41 to 50 because of ISIS' increasing influence. (SIPRI Year Book, 2016) Unquestionably this affects the regional arms race. On the other hand, according to Global Peace Index (GPI) peacefulness declined in 2016 which is measured by "the number of refugees and displaced people; the impact of terrorism; and the number of internal and external conflicts, and the associated number of battle-related deaths." (SIPRI Year Book, 2016) Because of the civil unrest and terrorism, MENA became the world's least peaceful region, Syria the least peaceful country followed by Iraq in 2015. (2015 Global Peace Index) This affects the investment made by nation states worldwide in armaments especially in regions where there are active conflicts. The result is the overall increase in the world military spending.

¹⁹ Source: SIPRI data 2016

Table 5.1. Share of Military Expenditure in GDP (%) Source: SIPRI 2016

Share of the Military Expenditure in GDP (%)		
Country	2015	2003
USA	3.3	3.6
Saudi Arabia	13.7	8.7
China	1.9	2.1
Russia	5.4	3.9
UK	2	2.3
World Total	2.39	2.26
MENA	7.7	5.4
Turkey	2.1	3.3

Many countries in the Middle East react to threats in the geography by increasing their military power in real terms which is revealed in the change of the military burden of the region. What Turkey does instead is keeping the level of military expenditures the same while strengthening its national production capacity. By doing so it manages to meet the country's security needs domestically on the one hand. On the other hand, it does not cut back on other social spendings that are necessary to improve the welfare of the society.

5.2.1. Economy of the Military Industry in the World

Low peace indicators and high levels of conflict may allude to increased arms purchases of the states involved or one way or another affected by the conflict. This is one side of the coin but there is also another side to it which includes money being paid to the industries which produce the transferred arms and contribute to the country's economy. Hence, world's biggest military spenders do not produce arms simply for their own consumption but they have a huge share in international arms transfer through which they generate a considerable amount of revenue. "From 1998 to 2001, the USA, the UK, and France earned more income from arms sales to developing countries than they gave in aid." (Control Arms Campaign, 2003, cited by Anup Shah in "Arms Trade is Big Business", 2013) There is no difference in that

comparison in 2010's for the USA. The USA is surely leading the way in terms of aid it gives to the developing countries since 1970 but it is also the lead in arms agreements made with the same group of countries. The USA made \$36.1 billion worth arms agreement with developing countries in 2014, while it has given aid worth of \$27.5 billion. (Theohary, 2016; OECD, 2016) In the same year, France made \$5.7 billion agreement with developing nations whereas it donated \$6.5 billion. (Theohary, 2016; OECD, 2016) The UK on the other hand in 2012 gave in aid worth of \$8.6 billion and conducted \$5.7 billion worth arms agreements. The record of the US might be the very reason why in 1976 Jimmy Carter said in the presidential campaign: "We cannot have it both ways. We can't be both the world's leading champion of peace and the world's leading supplier of arms." (Hillier & Wood, 2003, p.60)

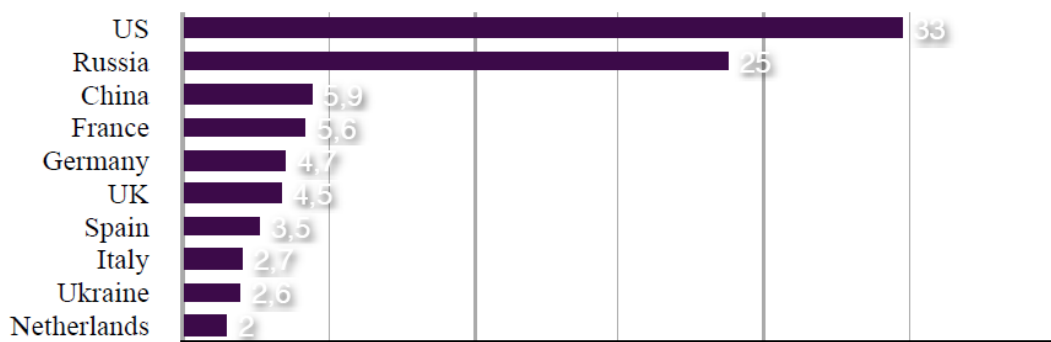


Figure 5.3. Top 10 Countries' Share of International Arms Exports (2011-2015) (%)²⁰

Selling and even developing arms of defense generate huge sums of money. Respected and prominent countries of the sector do not even have to bear all the economic costs of the production since there are standing customers waiting to be a part of the production process. The development of the new generation Joint Strike Fighter (JSF) F-35 Lightning II by the US can be an example. The USA is the owner of the project and started it with the UK. Later on, 7 other countries joined in. The economies and technologies of all included parties are going to benefit from the process apart from that of the USA. Turkey is among other 8 states in the consortium and the total expected economic benefits for Turkish industry is \$12 billion in prospect. ("Turkey F-35," 2015) Italian companies benefited \$29 million from engine

²⁰ Source: SIPRI Trends in International Arms Transfer, 2016, p.2

manufacturing for the program and it is expected to reach \$15 billion whereas \$11 billion is expected in Canadian industrial opportunities. (“Global Participation,” 2015) These all show the contributions to the economies of the participant countries, and its impact on the economy of the US is indisputably greater as it will have at its disposal the software and codes of the planes which are the most critical parts. With including partners to such a project the US reduces its own development costs, finds international financing, decreases its own responsibilities and also finds a ready market to sell the fighters when the tests are done.

Above was just a recent example of economic benefits provided by being an arms producer. It is only one of the projects of such kind with great returns notwithstanding a great deal of investments being made and risks having taken. The USA is the world’s biggest military spender with \$596 billion and with 3.3% share of its GDP. It is the first country with the 33% share in the international arms exports and it has been so for the last eight years. (“America’s Arms Exports Dominate Despite Global Competition,” 2016) Furthermore, in 2015 alone it exported \$16,9 billion worth arms consisting of 10% of its total exports. Russia comes second in the list of international arms transfer again for eight consecutive years with 25% share in the international arms exports, and 6.8% of its exports are weapons. (“Trade Map - List of exporters for the selected product (Arms and ammunition; parts and accessories thereof & all products),” n.d.) It delivered \$7,2 billion worth of arms in 2015.

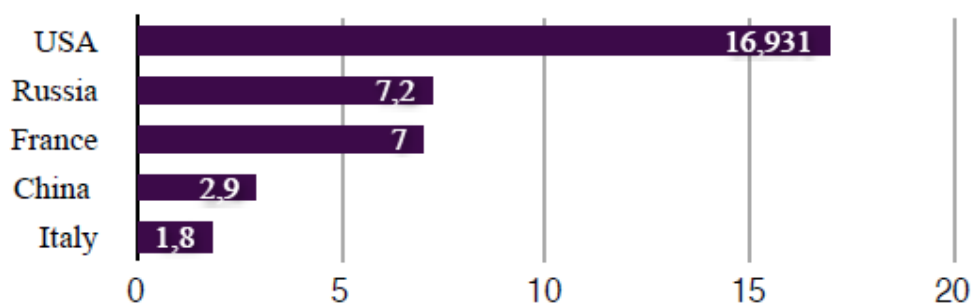


Figure 5.4. Global Arms Deliveries in 2015 (billion USD)²¹

²¹ USNews; <https://www.usnews.com/news/articles/2016-12-27/americas-arms-exports-dominate-despite-global-competition>

The military industry of a country contributes substantially to its economy and employment. An AT Kearney conference presentation made on April 2015 emphasizes the connection between national economic objectives and national defense objectives.²² When capabilities are improved for national defense it becomes an input for industry prioritization which directly affects national economic objectives. (Willen, p.24, 2015) In return when industries expand in a country, it is possible to find national solutions than outsourcing. These all improve the career opportunities in a country, boosting its economy.

Military industry is a huge sector and the largest economies of world have a considerable share in global arms transfer. A critical market for the arms exporters is the developing nations which are defined by the report (2016) prepared by the Congressional Research Service as "all countries except the United States, Russia, European nations, Canada, Japan, Australia, and New Zealand." Since many of the countries which are regarded as developing nations cannot meet their armed forces' weapon needs nationally, they have to import it from the nations who does. In 2015 the USA has 41% of all arms agreements made with the developing nations while Russia has 17% and China have 9% share. The share of the major Western European countries occupy 27% of arms transfer agreements whereas the rest of the world has only 6% of it. (Theohary, 2016) In 2015, 81.7% of all arms transfer agreements were concluded with developing nations. It was 80.92% between 2012 and 2015 and 80.39 between 2008 and 2011.²³ (Theohary, p.1, 2016)

From an economical perspective, selling major weapons is not the only source of revenue for the arms suppliers. After procuring arms, client states also need spare parts, upgrades and support services for further functioning of the equipment. This dependency - or the requirements of the existing weapon systems, ensures continuity of annual contracts and incomes for the supplier states. (Theohary, p.7,

²² Willen, B. (2015, April). Defense Industry Performance, Trends and Future Expectations. ATKearney Conference Presentation, SASAD.

²³ These agreements only contain state to state transactions not the agreements made with the subnationals groups.

2016) To illustrate the significance of this relationship, one can think of the military aid of and arms purchases from the USA and the Soviet Union during the years of the Cold War. After the Cold War former clients of these states had to pay for the maintenance and spare parts to these states. Turkey for example had American made M-60 tanks in its inventories and made payments to the US for any kind of technical support in continuing years. Later on, for the modernization of the tanks by Israel, it had to pay \$687,5 million. ("M60 tanklarının modernize projesi tamamlandı," 2010) By doing so not only the USA and Russia but all the other arms suppliers protect their market share.

Although Russia has its own client base, the US and other suppliers are ahead of Russia in military R&D programs which makes them more advantageous in the international defense industry thanks to having more complicated and advanced systems of weaponry. (Theohary, p.8, 2016) According to AT Kearney what makes defense industry a future promising market is the developments in technological capabilities within the sector. (Willen, 2015) Hence, R&D plays a significant part in the future of defense sector affecting the value of the industrial products and as well as the economic revenues it will generate.

5.3. Military Spending of Turkey

Turkey is not a country that jumped early on the industrial train. It was for long an agricultural country. Although there were initiatives in industrial projects, it was never in the same league with the industrialized nations of the world. In spite of the fact that in time industrial production proceeded apace and Turkey got to be recognized as a leading and growing power in ready-made clothing, textile, automotive industries, it did not reach the same level in technology intensive fields such as electronics and defense industry materials which have a high-profit return to the economy. Although Turkey's military expenditures have not been increasing every single year and it had its ups and downs it is known to be the second largest military of NATO. And the difference in trend in the beginning of 2000's and today stems not from the volume of the spending but from the way that is chosen for military spending which is to use national sources.

The increase in the number of unstable regimes neighboring Turkey and realizing it cannot depend on the help of its allies along with the opportunities provided by economic capabilities and political willingness, Turkey started taking steps in the direction of industrial self-reliance. In the beginning, it did not want to depend on any one nation for its security, therefore, Turkish companies initiated co-production with experienced foreign companies that would provide technology transfer. (Zanotti, 2011, p.28) Turkey conducted joint military exercises with non-NATO countries in order to decrease dependence on one camp. (Zanotti & Clayton, 2017, p.13) It made deals with non-US suppliers which would render Turkey flexibility in agreements, and hence advance its self-reliance in the defense industry.

What happened when Turkey started producing its own arms of defense was beyond meeting the domestic demands. For instance, formerly it was depending on Germany and Israel for modernization of its tanks, later The Turkish Aerospace Industries got to the level of upgrading F-16s for Jordan. (Enginsoy, 2011) Moreover, like any other exporter of arms of defense, Turkey started exporting the materials it produces. In 2010 Jane's World Defence Industry wrote that Turkish defense industry exports consisted of eight different platforms:

Among these are missiles, rocket launchers, radios, tracked and wheeled vehicles, electronic systems, pilot simulators and coastguard craft. The electronic systems and pilot simulators alone represent "big ticket" items that can generate the necessary income for Turkey's indigenous industries to develop not only the production base but also the Research and Development (R&D) institutions necessary for large-scale expansion. (In Zanotti, 2011, p.45)

Back in 2010, UDI has pointed out the Netherlands, Pakistan, the United Arab Emirates, South Korea, Algeria and Bahrain as customers of Turkey's defense materiel. (Zanotti, 2011, p.45; "Turkey - Defence Industry," Jane's World Defence Industry, 2010) In 2016 however, Turkey's customer base has extended. Even Aselsan alone is registered as exporting to 63 countries its products including defense industry materiel. Turkey's exported defense products in 2016 were composed of "aircrafts, helicopter parts, engine, armored land vehicles, speedboats, missiles, rockets, launching platforms, command and control systems, light weapon,

electronic systems such as transmitter, simulator, sensor and military software.” (Aliş, 2016) The demand for Turkey’s defense industry materiel is the result of its investments to create a national industry, and year by year product range is increasing. While analyzing Turkey’s military spending increasing indigenously that plays a big part in its economic transformation should be taken into account.

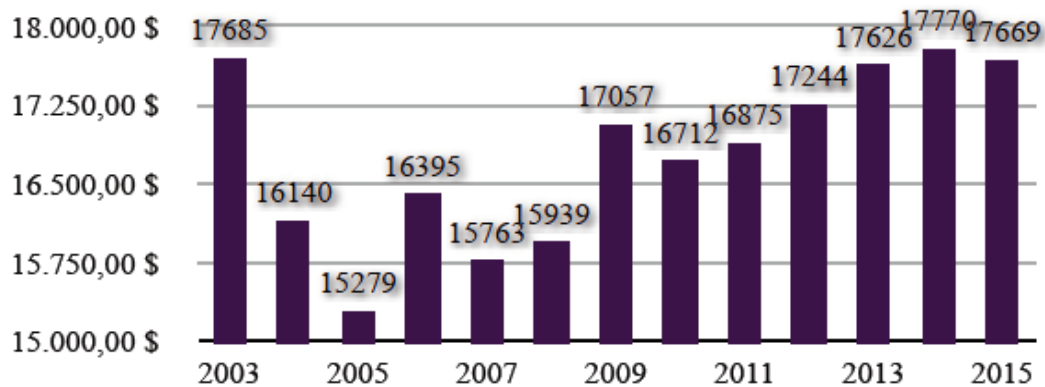


Figure 5.5. Turkey’s Military Spending (billion \$)²⁴

5.3.1. Economy of the Military Industry in Turkey

In 2000’s Turkey started playing a role that is very small in the field of defense industry. It became an exporter of arms but with a little share compared to the export of other sectors. It had been importing most of the arms of defense used by TAF but gradually national defense industry meets more and more of the demands of the military. While the industry becomes more competent in supplying for domestic needs, meanwhile Turkey takes part in the international market of arms of defense. For the first time in January 2012, defense industry made its way into Turkey’s export sector list only with the percentage of 0.17%. (TIM Report 2012, p.114) Before that defense industry was not even on the list that comprised Turkey’s export sectors since it did not have any share or its share was negligible. According to 2016 data defense industry accounts for 1.2% of all exports. But on the annual basis from 2014 to 2015, there is a 13% increase in the defense industry exports which corresponds to 300 million dollars. (See Table 5.2)

²⁴ Source: SIPRI 2016

Table 5.2. Export Figures on Sectoral Basis-1000\$ (Source: TimReport 2017)

Sectors	November 2015-2016				2014-2016			
	2015	2016	change (%)	share (%)	2014-2015	2015-2016	change (%)	share (%)
industrial products	6,854,808	7,386,067	7,8	61,8	82,973,272	81,825,544	-1,4	58,1
defense	108,306	137,917	27,3	1,2	1,546,784	1,749,647	13,1	1,2

In general performance of Turkey's national defense industry has improved with the investments in the sector. For the first time in 2011, it made it to the list of top 15 in defense industry expenditures. (TOBB Defense Industry Sector Report, 2012, p.25) While Turkey's export of defense industry products was \$331 million in 2003 it increased to \$1,654 million in 2015 which means there is 400% growth in defense exports in 10 years. (Sasad Performance Report, 2015) On the other hand, imports in defense industry decreased from \$1,351 million to \$1,067 million between 2014 and 2015 which shows 21% decline. (Sasad, PR 2015) These are significant amounts of reduction and growth in the sense that it indicates Turkey is much less reliant on outside in its defense.

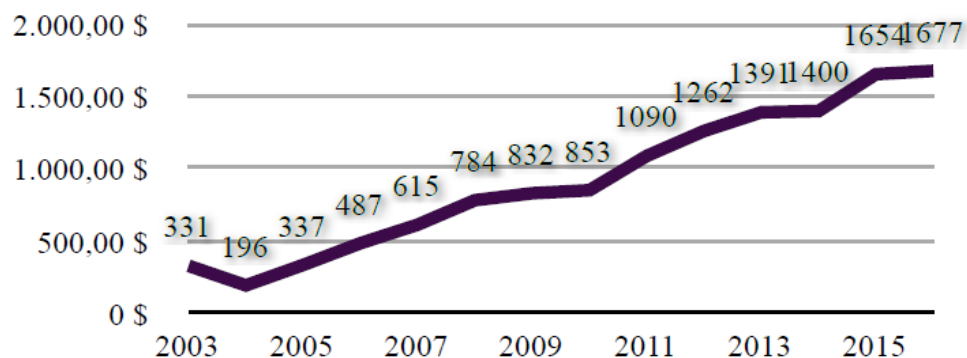


Figure 5.6. Turkey's Exports in Defense (million USD)²⁵

²⁵ Source: SASAD and SSM all reports including those of 2016

From 2015 to 2016 defense industry became the 3rd sector which saw the highest increase in exports with 27%. In 2016 alone exports of defense and aerospace increased by 1.4% reaching \$1.677 billion.

Table 5.3. The Sectors with Most Enhanced Volume of Exports in November
(Source: TimReport, January 2017, p.126)

thousand \$	2015	2016	change %
ship & yacht	101.998	272.209	166,9
mining products	291.654	383.249	31,4
defense and aerospace industry	108.306	137.917	27,3
jewelry	204.973	255.765	24,8

Global trade works in favor of countries that transform their production structure in a way to export goods with high added value. The share of high-tech export within manufacturing industry for Turkey is 2.2%, lower than any other country in the same league. According to World Bank, the ratio for Brazil is 12.3%, 25.8% for China, 26.8% for South Korea, 14.7% for Mexico. Eşiyok states that the problem stems from taking the easy way out and producing what is cheap since the 80's rather than what is valuable. (Eşiyok, 2017) Hence, what can contribute greatly to Turkey's economy is the export of products with state of the art technology. It is a solution to the balance of payments problem Turkey have always been struggling with.

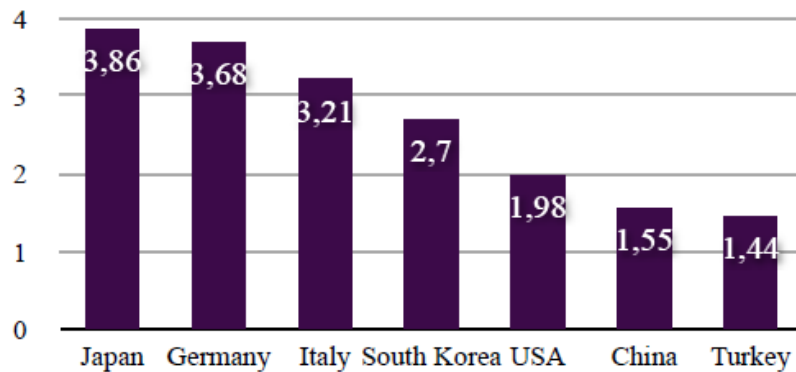


Figure 5.7. Price per Kilogram in Export (2015) (\$) ²⁶

²⁶ Source: Tim 2017

The increase in Turkey's exports of arms of defense is critical for the economy as the value of sectoral products per kilogram is higher than any other sector. The state of the art technology augments the price of the defense industry products which can reach up to \$30 on average. Additionally, when it comes to projects as big as tanks and corvette ship, the kilogram price of export changes between \$5.000-10.000.²⁷ (Özdemir, 2015) This makes these projects more critical for Turkey's economy as the average value of Turkish products will increase. When compared to other countries kilogram price of exports of Turkey is very low.

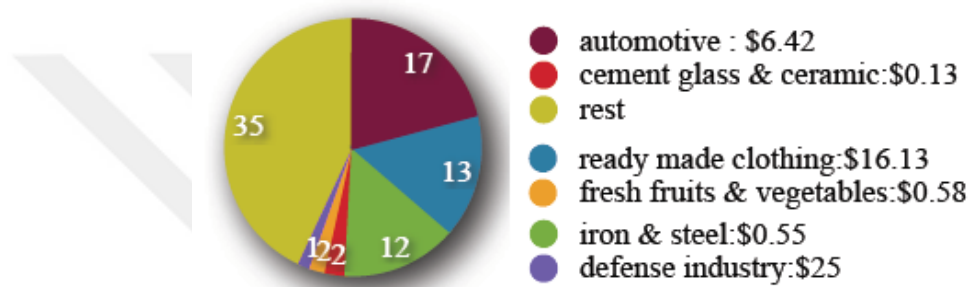


Figure 5.8. Percentage of Sectors in Exports and Prices per Kilogram in 2016²⁸

In the long run, when Turkey produces its own arms it is more profitable than procuring as they are so expensive. Whereas the excess amount of money that were being paid to foreign countries' firms is also kept inside by doing so, the national industry also reaches to a level to compete with foreign producers of arms. It is important to produce and be present in the market that will deliver economic benefits to a country and since the sectoral products are expensive it is also critical to offer a competitive price. According to Defense Outlook 2017 which was a survey conducted with defense and aerospace companies' executives, ensuring the affordability of their products is among the top-five concerns of companies. (Dowdy & Oakes, 2015) In order to highlight the difference between buying and making I will look at the exported versus nationally produced unmanned aerial vehicles (UAVs).

²⁷ The Chairman of the Board of Directors of SSI (Defence and Aerospace Industry Exporters' Association) Latif Aral Aliş cited in Hürriyet

²⁸ Source: İTO 2016

The UAVs known as Heron which became a point of conflict between Turkey and Israel had been procured from Israel and used by TAF. 10 Herons costed Turkey \$250 million. (Şimşek, 2016) Similarly, abroad off-the-shelf procurement of 1 system and 3 air vehicles from Aeronautics²⁹ worth \$15.5000 million. (SSM 2013, p.103) Bayraktar TB2 is a domestically developed UAV with its critical subsystems including software and hardware, and 12 of them cost \$47 million with its design and prototype. (Şimşek, 2016) That means with the money paid to get 1 Heron Turkey can actually produce more than 6 UAVs. Bayraktar's is the first UAV that entered into the inventory of TAF. Since its manufacture, armed and non-armed UAVs are being used by TAF to detect and remove threats.³⁰ 93% of Bayraktar UAV is national and 7% is composed of non-critical commercial goods which has no problem of procurement. ("Milli İHA'ya giden yol", 2016) Therefore, Bayraktar UAV is also the first exported UAV. ("BAYKAR – İnsansız Hava Aracı Sistemleri," n.d.) By producing this new system of weapons Turkey is keeping its financial resources inside and by selling them abroad with a competitive price in the international market it can have an edge over other producers.

5.3.2. Problems Associated With Non-national Defense Industry

The level of indigenusness of a product has an important contribution to a country's economy. However, when it does not belong solely to one country, problems occur. Because when an export license of a product does not belong to one country, it encounters problems in distributing it. For instance, even though Turkey is producing SOM missiles it cannot sell it to Azerbaijan; since its power pack is being procured from France, France forbids Turkey from selling it to the third countries. ("Altay tankı 2018'de TSK'da...", 2015) Related to this problem former Minister of Defense Yılmaz said: "95% of the system belongs to you but 5%. Because of that 5%, you cannot sell 95%. Hence, achieving the production of 100% is our goal." The same problem applies to Turkey's other defense of arms. For instance, as a national powerpack is not developed yet for Altay Tank it cannot be sold to third countries. In 2008, EU Common

²⁹ An Israeli company of defense working on systems for intelligence, surveillance and reconnaissance

³⁰ On September 8, 2016 in Cukurca 29 terrorists detected by Bayraktar armed UAV were eliminated. (Sputnik, 2016)

Position on military equipment and technology is binding for all member countries which provide Turkey among other clients, the critical parts that are being used in the national defense industry products. Article 5 of Act adopted under the EU Treaty states that:

Export licenses shall be granted only on the basis of reliable prior knowledge of end use in the country of final destination. This will generally require a thoroughly checked end-user certificate or appropriate documentation and/or some form of official authorisation issued by the country of final destination. When assessing applications for licenses to export military technology or equipment for the purposes of production in third countries, Member States shall in particular take account of the potential use of the finished product in the country of production and of the risk that the finished product might be diverted or exported to an undesirable end user. ("Acts adopted under the EU Treaty," 2008)

This article is critical in terms of understanding the importance of indigenous production. The possible areas of usage by the country of destination is a matter of concern for the EU countries. Also, the danger of the end product being used by a country which is deemed to be undesirable is a valid reason for an export license to be refused. Moreover, the word undesirable is open to interpretation and any end user can be defined as undesirable when the interests of one or more member countries are at stake.

According to the Article 1 criteria 4 of the same Act: "Member States shall deny an export license if there is a clear risk that the intended recipient would use the military technology or equipment to be exported aggressively against another country or to assert by force a territorial claim." If Turkey is threatened by another country can Turkey's military response be taken as an aggressive act? Again the 7th criterion of the same article states that: "Existence of a risk that the military technology or equipment will be diverted within the buyer country or re-exported under undesirable conditions is a reason for denying an export license in which case undesirable conditions is very open to interpretation."

When all of these are taken into consideration, the importance of total ownership of a defense of arms is obvious. Only after that, a country can export and enjoy full

economic benefits of its own production. Even though the case of Bayraktar UAV is promising, the situation is not always favorable. Turkey is importing power packs in all main sectors. According to 2013 Sasad Performance Report large segment of imports consist of those critical components (Sasad PR, 2013, p.24) which means that Turkey is still dependent when it comes to critical parts like power packs, and it makes Turkey vulnerable to the fluctuations in relations with supplier countries. For example, a local company Tümosan that had undertaken the project to develop a powerpack for the nationally produced Altay tank encountered problems with its technical support provider which was an Austrian firm, AVL. In the beginning, AVL was chosen among many other suppliers as it was the only one that guaranteed to provide an export license for the power pack to be developed which would not create any problems in domestic and abroad uses and selling of the power pack. Within three months, AVL declared that it cannot deliver the promised document although all the diplomatic channels with Austria were used. In its declaration to Public Informing Platform (KAP), Tümosan stated that (2017, p.1):

The technologies related to the power pack of the main battle tank are perceived to be an important component of national power, and for this reason in order to prevent Turkey from obtaining such technology especially the countries that have it and control the market are observed to have negative attitudes.

As a result of this, some of the foreign subsystem producers that manufacture critical parts do not get to make contracts with Turkey that would deliver the critical technologies. Even if they do so, the agreements can be revoked because of the attitudes of the foreign governments that either completely prevents a contract or prevents a one that is required by Turkey in order to be able to have full control over the product when it comes to use it or sell it. In this case, technology transfer would be prevented because of the sanctions imposed. With the problems of technology transfer, Tümosan cancelled the contract to develop a powerpack for Altay Main Battle Tank. ("Turkey's Altay MBT project hit by engine technology transfer issues | IHS Jane's 360," 2017) The main problem encountered with the Austrian firm was not a commercial disagreement but a political one caused by Austrian Parliament's decision taken on November 2016 to ban the export of military equipments and

materiel to Turkey. Austrian Parliament based its decision of arms embargo on operations against opposition, suspension of civil servants, and death of civilians in military operations. ("Türkiye Avusturya'dan hangi silahları alıyor?," 2016) All of the reasons presented interfere with Turkey's domestic affairs and the death of civilians in military operations specifically refers to killing of the PKK members. Hence, Austria's political stance and approach to Turkey's terror problem influences its company's decision to sell arms to Turkey.

Apart from Austria's decision, German Ministry of Economy rejected arms export applications 11 times within the last four months. ("Türkiye'ye tank savunma sistemi satmak isteyen Alman şirkete izin verilmedi," March 2017) According to Germany's decision Rheinmetall cannot sell defense system for tanks which were damaged during the fight with the Islamic State that costed Turkey 10 Leopard Tanks. Rheinmetall CEO reportedly said: German Government still does not approve some of our export contracts. ("Almanya'dan Türkiye'ye bir yasak daha," 2017) German officials defend their position regarding the embargo with reference to concern for human rights. A ministry official stated that ever since the coup attempt, there has been a concern on the side of Germany that Turkey can use arms it bought from Germany "for internal repression of the Kurdish conflict". ("Germany denied several arms shipments to Turkey in past months – reports," 2017) Germany's and Austria's decision depend on the same reasons which show that political reasoning can be used by foreign governments to refuse export of military supplies. Furthermore, both countries are Turkey's partners in NATO one of the major principles of which is collective defense stating that an attack against one ally is considered as an attack against all allies. By stipulating this in Article 5, NATO guarantees protection to the member states in case of an attack. However, from the perspective of Turkey, the recent embargoes are reasons to be hesitant about the help of its allies.

Briefly, when a country is dependent on outside in terms of its defense it renounces its power and capacity to act independently according to its national interests. Such a dependence also limits the ability of that country to fully benefit from what is at its

disposal. Hence, it is of utmost importance for any country including Turkey to develop a self-reliant defense industry to practice its free will.

5.4. The Importance of Political Economy of the Defense Industry

Development of a national defense industry is not an end itself, it reduces a country's trade deficit by decreasing imports and increasing exports; it increases R&D which ensure product development and technological advancements; its innovations spread into other fields and lead new inventions which will increase capacity utilization; and as it increases investments it will also create new business opportunities all of which are going to come back as economic profits to Turkey.

In this chapter, I discussed the political economy of defense industry. I firstly analyzed the literature about the effect of arms industry on economy. Secondly, I looked closely at the economy of military industry in the world, in the region and in Turkey respectively. And I concluded by discussing the problems associated with non-national defense industry.

The domestic structure that explains the political will of politicians, economy of defense industry which provides the economic rationale and the regional geopolitics which explained the conjunctural changes and lack of trust in allies are necessary conditions for developing a self-reliant defense industry.

CHAPTER VI

CONCLUSION

The benefits of having a national defense industry are countless which are outlined in the entire thesis. Countries, in general, aspire to be independent in defense out of same concerns. States like Turkey, South Africa, Taiwan, Brazil, India, and China had all experienced the consequences of over-dependence to foreign countries in national defense especially in times when they needed the exported military supplies to overcome internal or external threats. In such cases dependent countries become vulnerable and open to the dangers of political manipulation. Moreover, they become incapable of steering the results of the events as they do not possess the necessary resources. Turkey is one such country that has learned the indispensability of industrial self-reliance hard way.

The literature showed that domestic structure model and action-reaction model explain the urge to nationalize the defense industry. However, lack of security commitments of allies was not a part of the either model but contributes a lot to our understanding of nationalization efforts. Hence, I added it to the action-reaction model to comprehend the process better. Then, I applied these models to the Turkish case. Together these models demonstrated the internal and external dynamics that promote the process which I expatiated on three separate chapters. Domestic structure of the country is important since a stable government can create an environment that is conducive to undertake long-term military projects. Turkey's current government that has been elected consecutively since 2002 is important in that respect. Because defense industry projects that are initiated by the ruling party were not disrupted by another political party which enabled the projects to continue without a hitch.

The world military order that drives countries to maintain their security in the face of increasing threats perpetuates the worldwide arms race and creates a vicious cycle impossible to break is. It is another variable affecting Turkey's military build-up. I

argued that the rising militarization of its neighbors is alarming more for Turkey than for Turkey's allies in the West. Because recent conjunctural changes affect Turkey's security along with its diplomatic and economic relations with the countries in its geography.

Furthermore, as the international security move from conventional to modern and technological defense materiel, problems concerning the security of a country needs to be taken care of more quickly and delicately. The problem is not always the interruption in the delivery of modern technology by the arms supplier. But when the foreign technology is used it can be blocked by whoever has designed the software. Moreover, in the age of information technology where everything became accessible keeping the sensitive critical information concerning the national security a secret is even harder. When the technology is designed by another country it is even impossible. For these reasons, it is of vital importance for Turkey to develop its own critical military technology to deal with internal and external security threats. Because as I have shown interest-dilemma Turkey experiences with arms providers even when they are considered to be allies can be terminated. And more arms embargoes are yet to come as long as Turkey seeks its own interests.

In that regard, supporting research and development activities is highly important for Turkey's purposes. Technology is becoming an inevitable and the most critical component of the defense industry. Hence, the collaboration between universities and industries; allocating more resources for technology development both by state and private institutions are key to success in a world where even the most recent technologies are updated, renewed, and replaced by a newer one.

Moreover, owning national arms of defense provides strategic advantages to countries in terms of international relations and politics. I have shown through reviewing parties' election declarations that Turkey with its agenda of becoming a regional and world power want the prestige that is brought by having a strong military. Besides, having the state-of-the-art technology at its disposal will give Turkey the freedom to choose whom to sell and where to send its military

technology. Seeing its allies acting in such a way which can run counter to and harm Turkey's interests from time to time encourages and forces Turkey to develop a domestic defense industry. By doing so, Turkey too can determine the outcome of the conflicts in favor of its own foreign policy which is a great leverage for Turkey.

The political economy of defense industry which has implications at both domestic and international levels shows the economic costs and benefits generated by the defense industry which is compelling for Turkey. In the last chapter, I outlined how big of an economy it generates worldwide and also on the country basis. As a country which spends a lot on defense purchases, Turkey sees industrial self-reliance in such a sector with high-added value as a way of decreasing imports and increasing exports. This in return is expected to maintain the balance of payment which is a critical problem for Turkey. Besides, I have shown the costs of production and procurement which makes the domestic production a logical and profitable option for Turkey.

On the other hand, even though economies of developing countries suffer from expensive military projects as they divert resources from other sectors, this is not a problem experienced by Turkey. Developing nations have to cut back on country's social spending to canalize large amounts of money into producing arms. So they experience an opportunity cost between making arms and enhancing the welfare of the society. By contrast, Turkey does not steal from the budgets of socially constructive sectors. Because its GDP increases and the share of military expenditures within it decreases from 2.6% in 2009 to 1.5% in 2016. (NATO, 2016) This, as a result, shows that Turkey keeps the military spending stable while setting aside more capital for social projects. By closely examining the years since 2003 to 2017, I have concluded that this downside of diversion of resources is not valid for Turkey.

Furthermore, I have concluded that what makes military spending of 2015 different than that of 2003 is not the volume of expenditures. It is the increasing capacity of the local defense industry to meet the requirements of TAF. In 2002, the local arms production was able to meet 20% of the domestic demand, while it reached to 60%

in 2015. It not only frees Turkey from international regulations that limit the use of procured arms. Since the affordability of products is among the five top concerns in the defense sector it also gives Turkey a comparative advantage in the international market as it produces with lower costs.

Although I started this thesis with the advantages of the national defense industry in mind, my research has shown that there are problems that come along with the nationalization process. Emerging producers encounter obstacles with the existing powers who may refuse to grant production and export licenses and intelligence-gathering systems due to security and diplomatic concerns. When countries try to start from scratch to produce the same technology, they have to sacrifice a lot of time, human capital, and money. While emerging producers are busy with catching up with the existing technology, owners of it go one step further which invalidate the previous one new comers has just obtained. This is also a matter of concern for Turkey, but if it does not start production at a certain stage, the technological gap between Turkey and other leading producers is doomed to increase.

As a country that is in the process of nationalizing its defense industry, Turkey is pursuing ambitious projects stretching from the production of a warplane and main battle tank to battle ship and unmanned aerial vehicles. Even though this is more suitable for sovereignty and national security, trying to nationally produce every single defense of arms is not cost-effective. Dividing up all its human capital and budget among different projects prevents it from specializing and excelling in one product. This autarky-efficiency dilemma is a challenge Turkey faces. If it can focus its energy, time, and capital on one specific item and win recognition over it, then it can actually gain a competitive position in the international market. Having a distinguished product at its disposal gives Turkey leverages which it can use to bargain with other arms suppliers who have a superior technology in another product.

This thesis provided an insight about nationalization of more of the modern arms industry. The recent arms embargoes Turkey is subjected by Germany and Austria

manifests how important it is to study the issue of nationalization of the defense industry. Hence, future research can be conducted on problems such a process is likely to give rise to and how to tackle such problems without causing further harm to bilateral relations while maintaining the continuance of industrial production. The change in Turkey's security perception is another topic to be studied. Other countries that have gone through nationalization process can be compared with the Turkish experience. The reason of success and failure for alternative countries can set an example for Turkey and help it to learn from the mistakes of others. Furthermore, modern defense systems can be studied such as cyber and nuclear technologies, satellite and communication systems and intelligence technologies and alternative unmanned defense vehicles which seem to be the way national and international security evolves into.

BIBLIOGRAPHY

ABD'den YPG'ye FGM-148 Javelin anti tank füzesi. [FGM-148 Javelin anti-tank Missile from the USA to the YPG]. (2017, February 8). Retrieved February 15, 2017, from <http://www.cnnturk.com/video/dunya/abdden-ypgye-fgm-148-javelin-anti-tank-fuzesi>

AKP. (2002). 2002 Seçim Beyannamesi.

AKP. (2007). 2007 Genel Seçimleri Seçim Beyannamesi. Tanıtım ve Medya Başkanlığı.

AKP. (2011). 2011 Genel Seçimleri Seçim Beyannamesi. Tanıtım ve Medya Başkanlığı.

AKP. (2012, September 30). Ak Parti 2023 Siyasi Vizyonu. Retrieved from <http://www.akparti.org.tr/site/akparti/2023-siyasi-vizyon>

AKP. (2015). 1 kasım 2015 Genel Seçimleri Seçim Beyannamesi.

AKP. (2016, Ocak). Akparti Tüzük-Program (Kalkınma ve Demokratikleşme Programı).

America's Arms Exports Dominate Despite Global Competition. (2016, December 27). Retrieved March 12, 2017, from <https://www.usnews.com/news/articles/2016-12-27/americas-arms-exports-dominate-despite-global-competition>

Archer, C., & Annette, W. (2012, November). OPPORTUNITY COSTS: Military Spending and the UN's Development Agenda. International Peace Bureau.

ASELSAN joins BMD team. (2015, April 30). Retrieved February 21, 2017, from <http://www.euro-sd.com/esd/archive/news-detail-view/artikel/aselsan-joins-bmd-team/>

ASELSAN sağlık sektörüne öncülük edecek. (2015, November 25). Retrieved from <http://savunmaveteknoloji.com/aselsan-saglik-sektorune-onculuk-edecek/>

ASELSAN Sağlık Teknolojileri Çalıştayı | Haberler | Basın Odası | ASELSAN. (2015, December 17). Retrieved February 23, 2017, from <http://www.aselsan.com.tr/tr-tr/basin-odasi/haberler/Sayfalar/SaglikTeknolojileriCalistayi20151217.aspx>

ASELSAN-TEMSA elektrikli otobüs geliştirdi. (2017, March 16). Retrieved March 23, 2017, from <http://www.sabah.com.tr/ekonomi/2017/03/16/aselsan-temsa-elektrikli-otobus-gelistirdi>

Barkey, H. J. (2014). Turkey's Syria Predicament. *Survival*, 56(6), 113–134. <https://doi.org/10.1080/00396338.2014.985440>

Baugh, W. H. (1980). Deceptive Basing Modes for Strategic Missiles: An Exercise in the Politics of an Ambiguous Nuclear Balance. *The Western Political Quarterly*, 33(2), 247–259. <https://doi.org/10.2307/447297>

BAYKAR – İnsansız Hava Aracı Sistemleri. (n.d.). Retrieved from <http://baykarmakina.com/>

Beckley, M. (2010). Economic Development and Military Effectiveness. *The Journal of Strategic Studies*, 33(1), 43–79.

Beklenen Araştırma Tamamlandı: En Çok Ar-Ge Harcaması Yapan 250 Şirket. (2016). *Turkishtime*. Retrieved from <http://www.turkishtimedergi.com/arastirma/beklenen-arastirma-tamamlandi-ar-ge-250/>

Biswas, B. (1992). Defense Spending and Economic Growth in Developing Countries. *Economic Research Institute Study Papers*, (Paper 18).

Bitzinger, R. A. (1994). The Globalization of the Arms Industry: The Next Proliferation Challenge. *International Security*, (2), 170.

Bitzinger, R. A. (2003). Towards a Brave New Arms Industry. *Adelphi Paper*, 43(356), 63–79.

Boutin, J. D. (2009). Emerging defense industries: prospects and implications. *The Modern Defense Industry: Political, Economic, and Technological Issues*, 227–240.

Börzel, Dandashly, A., & Risse, T. (2015). The EU, External Actors and the Arabellions: Much Ado About (Almost) Nothing. *Journal of European Integration*, 37(1), 135–153. <https://doi.org/10.1080/07036337.2014.975993>

Brauer, J. (1998). The arms industry in developing nations: history and post-cold war assessment. In *Arming the South* (pp. 1–18). Springer. Retrieved from http://link.springer.com/chapter/10.1057/9780230501256_6

Buzan, B., & Herring, E. (1998). *The Arms Dynamic in World Politics*. Lynne Rienner Publishers.

Buzan, B., & Segal, G. (1994). Rethinking East Asian Security. *Survival*, 36(2), 3–21.

Canbay, Ş. (n.d.). *Savunma Harcamalarının Ekonomik Etkileri*, 19.

Chivvis, C. S., & Fishman, B. (2017). Regional foreign policy dynamics and their implications for the Mediterranean Region (No. PE-223-RC). RAND Corporation. Retrieved from <http://www.rand.org/pubs/perspectives/PE223.html>

Chomsky, N. (2004). War Crimes and Imperial Fantasies. *International Socialist Review*, (37). Retrieved from <http://www.isreview.org/issues/37/chomsky.shtml>

CHP. (2002). CHP Seçim Bildirgesi 2002. Retrieved May 30, 2017, from <https://www.tbmm.gov.tr/eyayin/GAZETELER/WEB/KUTUPHANEDE%20BULUNAN%20DİJİTAL%20KAYNAKLAR/KITAPLAR/SİYASİ%20PARTİ%20YAYINLARI/200304232%20CHP%20SECİM%20BİLDİRGESİ%202002/200304232%20CHP%20SECİM%20BİLDİRGE%202002.pdf>

CHP. (2007). Cumhuriyet Halk Partisi Pusula '07.

CHP. (2015). 1 Kasım chp. Retrieved May 30, 2017, from <https://www.chp.org.tr/Public/0/Folder/52608.pdf>

CNN.com - Turkey rejects U.S. troop proposal - Mar. 1, 2003. (2003, March 2). Retrieved April 6, 2017, from <http://edition.cnn.com/2003/WORLD/meast/03/01/sprj.irq.main/>

Coulomb, F., & Bellais, R. (2008). The Marxist Analysis of War and Military Expenditures, Between Certainty and Uncertainty. *Defence and Peace Economics*, 19(5), 351–359. <https://doi.org/10.1080/10242690802354345>

Cumhuriyet. (2016, November 2). TSK personel sayısını açıkladı. Retrieved June 5, 2017, from http://www.cumhuriyet.com.tr/haber/turkiye/625117/TSK_personel_sayisini_acikladi.html

Cypher, J. M. (1987). Military Production and Capital Accumulation: A Comment. *Journal of Post Keynesian Economics*, 10(2), 304–309.

Data for all countries 1988–2015. (2016). SIPRI. Retrieved from <https://www.sipri.org/databases/milex>

Davutoğlu, A. (2010). *Stratejik derinlik: Türkiye'nin uluslararası konumu*. Küre Yayınları.

Defence Expenditures of NATO Countries. (2016, July 4). Retrieved January 7, 2017, from http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2016_07/20160704_160704-pr2016-116.pdf

Demirtaş, S. (2016, November). Turkey's Al-Bab operation is at stake -. Retrieved December 22, 2016, from <http://www.hurriyetdailynews.com/Default.aspx?pageID=449&nID=106312&NewsCatID=429>

Dowdy, J., & Oakes, E. (2015, April). *Defense outlook 2017: A global survey of defense-industry executives* | McKinsey & Company. Retrieved March 27, 2017, from <http://www.mckinsey.com/industries/aerospace-and-defense/our-insights/defense-outlook-2017-a-global-survey-of-defense-industry-executives>

Dritsakis, N. (2004). Defense spending and economic growth: an empirical investigation for Greece and Turkey. *Journal of Policy Modeling*, 26, 249–264.

Dunne, J. P., Perlo-Freeman, S., & Smith, R. P. (2008). The Demand for Military Expenditures in Developing Countries: Hostility Versus Capability. *Defence and Peace Economics*, 19(4), 293–302. <https://doi.org/10.1080/10242690802166566>

Dunne, J. P. (2011). Military Keynesianism: An Assessment. In *Peace Economics and Peace Science*.

Durmaz, M. (2014, September). THE U.S. Arms Embargo of 1975–1978 and Its Effects on the Development of the Turkish Defense Industry. Naval Postgraduate School, Monterey, California: Naval Postgraduate School. Retrieved from <http://hdl.handle.net/10945/43905>

Duyar, M., & Koçođlu, M. (2014). Askeri Harcamalarının Ekonomik Büyüme Üzerine Etkisi: Sahra Altı Afrika Örneđi. *The Journal of International Social Research*, 7(33), 702–722.

Emmott, R., Siebold, S., & Stewart, P. (2015, October 8). Turkey urges NATO to keep up its Patriot defenses. Reuters. Retrieved from <http://www.reuters.com/article/us-mideast-crisis-syria-nato-idUSKCN0S20HJ20151008>

Enginsoy, Ü. (2011, March 6). Turkish defense exports to Mideast unaffected by revolts – TR Defence. Retrieved March 21, 2017, from <http://www.trdefence.com/turkish-defense-exports-to-mideast-unaffected-by-revolts/>

Esnek, F. (2016, October 7). Hangi bakanlık ve kuruma ne kadar ödenek ayrıldı? TAM LiSTE. Retrieved June 6, 2017, from <http://www.bik.gov.tr/hangi-bakanlik-ve-kuruma-ne-kadar-odenek-ayrildi-tam-liste/>

Eşiyok, B. A. (2017, January 27). Yüksek Teknoloji İhracatı Birim Fıatı. Herkese Bilim Teknoloji. Retrieved from <http://www.tim.org.tr/tr/inpressdt-12044c67-438e-47b2-bdb1-a639e3da7990.html>

Fleurant, A., Perlo-Freeman, S., Wezeman, D. P., & T Wezeman, S. (2016). Trends in International Arms Transfer 2015.

For Immediate Release. (2007, March 27). Retrieved February 16, 2017, from http://web.archive.org/web/20070327103457/http://www.missilesandfirecontrol.com/our_news/pressreleases/02pressrelease/072402_JAVELIN.htm

Germany denied several arms shipments to Turkey in past months – reports. (2017, March 22). Retrieved March 28, 2017, from <https://www.rt.com/news/381753-germany-turkey-arms-sales/>

Gilpin, R. (1981). War and Change in World Politics. Cambridge New York: Cambridge University Press.

Gilpin, R. (1983). War and change in world politics. Cambridge University Press.

Retrieved from

<http://books.google.com/books?hl=en&lr=&id=2iKL7zr3kl0C&oi=fnd&pg=PR9&dq=%22and+many+others+in+the+political,+economic,+and%22+%22events+has+revealed+underlying+shifts+in+military%22+%22Scholars,+journalists,+and+others+turn+to+history+for%22+%22in+producing+change+in+international+systems%3F%22+&ots=W1Y1d1WWs&sig=vnMHVHMQACHhR9729FtmvnSugH8>

Goksedef, E. (2015, August 17). Patriot kararı ne anlama geliyor? [What does the Patriot decision mean?]. Retrieved April 6, 2017, from <http://www.aljazeera.com.tr/al-jazeera-ozel/patriot-karari-ne-anlama-geliyor>

Gray, C. S. (1971). The Arms Race Phenomenon. World Politics, 24(1), 39–79. <https://doi.org/10.2307/2009706>

Gray, C. S. (1982). Strategic studies and public policy : the American experience. Lexington, KY: University Press of Kentucky.

Güntay Şimşek - İlk milli İHA, kaç paraya mal oldu? - Bloomberg HT. (2016, September 21). Retrieved February 20, 2017, from <http://www.bloomberght.com/ht-yazarlar/guntay-simsek/1920144-ilk-milli-iha-kac-paraya-mal-oldu>

Haber7. (2017, February 8). ABD, FGM-148 Javelin'i YPG'ye verdi. [The USA gave FGM-148 Javelin to the YPG]. Retrieved February 15, 2017, from <http://www.haber7.com/ortadogu/haber/2254475-abd-fgm-148-javelini-ypgye-verdi>

HDP. (2015). 2015 HDP Seçim Bildirgesi Tam Metin.pdf. Retrieved May 30, 2017, from <http://www.hdp.org.tr/images/UserFiles/Documents/Editor/HDP%20Se%C3%A7im%20Bildirgesi%20Tam%20Metin.pdf>

Hillier, D., & Wood, B. (2003). Shattered Lives: the case for tough international arms control. Amnesty International and Oxfam International.

History | Tejas - India's Light Combat Aircraft. (n.d.). Retrieved May 11, 2017, from <http://www.tejas.gov.in/history.html>

Humud, C. E., Blanchard, C. M., & Nikitin, M. B. D. (2017). Armed Conflict in Syria: Overview and U.S. Response (No. RL33487). Congressional Research Service.

Ighani, H. (2016). Workshop Report CPA Saudi-Iran Rivalry. Council on Foreign Relations.

Increase in arms transfers driven by demand in the Middle East and Asia, says SIPRI | SIPRI. (2017, February 20). Retrieved April 4, 2017, from <https://www.sipri.org/media/press-release/2017/increase-arms-transfers-driven-demand-middle-east-and-asia-says-sipri>

Islamic State and the crisis in Iraq and Syria in maps. (2017, January 20). BBC News. Retrieved from <http://www.bbc.com/news/world-middle-east-27838034>

Israeli Manufacturers Turkish UAV Contract. (2011, December 22). Retrieved April 11, 2017, from <http://www.defenseindustrydaily.com/israeli-manufacturers-win-150m-turkish-uav-contract-updated-0389/>

JAVELIN: Lockheed Martin - Missiles and Fire Control. (2008, January 20). Retrieved February 15, 2017, from https://web.archive.org/web/20080120110001/http://www.missilesandfirecontrol.com/our_products/antiarmor/JAVELIN/product-JAVELIN.shtml#

Kapstein, E. B. (1991). International Collaboration in Armaments Production: A Second-Best Solution. *Political Science Quarterly*, 106(4), 657. <https://doi.org/10.2307/2151798>

Karaosmanoğlu, A. L., & Kibaroglu, M. (2003). *Post-Cold War Defense Reform: Lessons Learned in Europe and the United States*. East West Institute, Brassey's, New York.

Kasapoglu, C. (2017, February 3). Operation Euphrates Shield: Progress and scope. Retrieved August 4, 2017, from <http://www.aljazeera.com/indepth/opinion/2017/02/operation-euphrates-shield-progress-scope-170201133525121.html>

Katz, Y. (2011, December 22). Ministry Kills Deal to Sell Intel System to Turkey. *The Jerusalem Post*. Retrieved from <http://www.jpost.com/Defense/Ministry-kills-deal-to-sell-intel-system-to-Turkey>

Keller, W. W. (1995). *Arm in Arm: The Political Economy of the Global Arms Trade*. Basic Books.

Kızmaz, E. (2007). *Turkish defense industry and undersecretariat for defense industries*. Bilkent University. Retrieved from <http://repository.bilkent.edu.tr/handle/11693/14607>

Kolodziej, E. A. (2005). *Security and International Relations*. Cambridge ; New York: Cambridge University Press.

Lemmon, G. T. (2017, March 19). Three Lingering Questions For Trump's New Plan to Fight ISIS. Retrieved April 10, 2017, from

<http://www.defenseone.com/ideas/2017/03/three-lingering-questions-trumps-new-plan-fight-isis/136287/>

Martin, L. (2000). Turkey's national security in the Middle East. *Turkish Studies*, 1(1), 83–106. <https://doi.org/10.1080/14683840008721222>

Mearsheimer, J. J. (2001). *The Tragedy of Great Power Politics* (Updated Edition). W. W. Norton & Company.

MEB. (2016, January). 2016 Performance Program. MEB. Retrieved from http://sgb.meb.gov.tr/meb_iys_dosyalar/2016_04/28051255_2016_performans_programi.pdf

Mercan, S. (2016). Perceptions of Security in Turkish Foreign Policy Towards the Middle East in the 21st Century. In *Turkey's Foreign Policy and Security Perspectives in the 21st Century: Prospects and Challenges*. Universal-Publishers.

Mevlütöğlü, A. (2015, May 25). Siyasi Partilerin 2015 Genel Seçim Beyannamelerinde Savunma Sanayii. Retrieved June 1, 2017, from <http://www.siyahgribeyaz.com/2015/05/siyasi-partilerin-2015-genel-secim.html>

Mevlütoglu, A. (2016). Türkiye'nin Savunma Reformu Tespit ve Öneriler. SETAV. Retrieved from http://file.setav.org/Files/Pdf/20160901200637_turkiyenin-savunma-reformu-pdf.pdf

MFA. (n.d.). Türkiye - İsrail Siyasi İlişkileri. Retrieved April 11, 2017, from <http://www.mfa.gov.tr/turkiye-israil-siyasi-iliskileri.tr.mfa>

MHP. (2002). Milliyetçi Hareket Partisi seçim beyannamesi, 3 Kasım 2002: Türkiye'nin onurlu geleceği. Milliyetçi Hareket Partisi. Retrieved from <http://212.174.157.46:8080/xmlui/bitstream/handle/11543/938/200300790.pdf?sequence=1>

MHP. (2007). Milliyetçi Hareket Partisi seçim beyannamesi, 22 Temmuz 2007: milli duruş ve kararlılık belgesi. Milliyetçi Hareket Partisi. Retrieved from http://212.174.157.46:8080/xmlui/bitstream/handle/11543/919/200902631_2007.pdf?sequence=1

MHP. (2011). MHP_2011_SecimBeyannamesi.pdf. Retrieved May 30, 2017, from http://www.mhp.org.tr/usr_img/_mhp2007/kitaplar/MHP_2011_SecimBeyannamesi.pdf

MHP. (2015a). 1 Kasım 2015 Seçim beyannamesi. Retrieved from http://www.mhp.org.tr/usr_img/mhpweb/1kasimsecimleri/beyanname_1kasim2015.pdf

MHP. (2015b). 7 Haziran 2015 Seçim Beyannamesi. Retrieved from http://www.mhp.org.tr/usr_img/mhpweb/MHP_Secim_Beyannamesi_2015_tam.pdf

Milli İHA'ya giden yol. [The road to national UAV]. (2016, October 26). [Text]. Retrieved February 16, 2017, from <http://www.yenisafak.com/ar/teknoloji/millihaya-giden-yol-2554181>

Milliyet. (2010, April 7). M 60 tanklarının modernize projesi tamamlandı. Retrieved February 16, 2017, from <http://www.milliyet.com.tr/m-60-tanklarinin-modernize-projesi-tamamlandi-ekonomi-1221976/>

Munich Security Report 2017. (2017) (p. 89).

Ministry of Economy. (2017). Türkiye ile Ticaret. Retrieved August 4, 2017, from https://www.economy.gov.tr/portal/faces/home/disliskiler/ulkeler/ulke-detay/Irak/html-viewer-ulkeler?contentId=UCM%23dDocName%3AEK-160185&contentTitle=T%C3%BCrkiye%20ile%20Ticaret&_afLoop=1089361339713906&_afWindowMode=0&_afWindowId=vqeaz12o5&_adf.ctrl-state=zhsqakygc_494#!%40%40%3F_afWindowId%3Dvqeaz12o5%26_afLoop%3D1089361339713906%26contentId%3DUCM%2523dDocName%253AEK-160185%26contentTitle%3DT%25C3%25BCrkiye%2Bile%2BTicaret%26_afWindowMode%3D0%26_adf.ctrl-state%3Dzhsqakygc_498

Moravcsik, A. (1991). Arms and Autarky in Modern European History. *Daedalus*, 120(4), 23–45.

Murray, D. J., & Viotti, P. R. (1994). *The Defense Policies of Nations: A Comparative Study*. JHU Press.

Neuman, S. G. (1988). Arms, Aid and the Superpowers. *Foreign Affairs*, 66(5), 1044–1066. <https://doi.org/10.2307/20043577>

Neuman, S. G. (1994). Arms Transfers, Military Assistance, and Defense Industries: Socioeconomic Burden or Opportunity? *The Annals of the American Academy of Political and Social Science*, 535(1), 91–109.

OECD. (2016). *Development Aid at a Glance (Statistics by Region)*.

Oran, B. (2013a). *Türk Dış Politikası [Turkish Foreign Policy]*. (2nd ed., Vol. I). İletişim.

Oran, B. (2013b). *Türk Dış Politikası [Turkish Foreign Policy]*. (2nd ed., Vol. III). İletişim.

Orhun, A. (2015, August 5). Savunma ihracat taarruzunda. Retrieved February 21, 2017, from http://www.itohaber.com/haber/guncel/201715/savunma_ihracat_taarruzunda.html

Osborne, S. (2017, March 29). Turkey ends “Euphrates Shield” military operation in Syria, PM says. Retrieved from <http://www.independent.co.uk/news/world/middle-east/turkey-syria-ends-euphrates-shield-military-operation-binali-yildirim-jarablus-isis-islamic-state-a7657156.html>

Özcan, M. (2008). *Harmonizing Foreign Policy: Turkey, the EU and the Middle East*. Ashgate Publishing, Ltd.

Özdemir, S. (2015, March 19). 1 kg’lık ihracat nasıl 4 dolar olur. Retrieved February 27, 2017, from <http://www.hurriyet.com.tr/1-kglik-ihracat-nasil-4-dolar-olur-28487485>

Pan, C., Chang, T., & Wolde-Rufael, Y. (2015). Military Spending and Economic Growth in the Middle East Countries: Bootstrap Panel Causality Test. *Defence and Peace Economics*, 25(4), 443–456.

Policytensor. (2013, February 25). Theory of Hegemonic War. Retrieved May 3, 2017, from <https://policytensor.com/2013/02/25/theory-of-hegemonic-war/>

Ram, R. (1993). Defense Spending and Economic Growth. (J. E. Payne & A. P. Sahu, Eds.). Boulder: Westview Press Inc.

Ram, R. (1993). Defense Spending and Economic Growth. (J. E. Payne & A. P. Sahu, Eds.). Boulder: Westview Press Inc.

Reese, A. (2013). Sectarian and regional conflict in the Middle eaSt. *Middle East Security Report*, 13, 10–12.

Riddell, T. (1986). Marxism and Military Spending. *Journal of Post Keynesian Economics*, 8(4), 574–580.

Sanders, R. (1990). Sanders arms industries new suppliers. *The DISAM Journal*, 97–108.

Sasad. (2013a). *Sasad-Performans-Raporu-2013.pdf* (Performance Report) (p. 41).

Sasad. (2013b). *Sektor-Performans-Raporu-2012* (Sector Report) (p. 11).

Sasad. (2015). *Savunma ve Havacılık Sanayii Performas Raporu* (Performance Report) (p. 18). Ankara.

Shah, A. (2013). The Arms Trade is Big Business — Global Issues. Retrieved March 7, 2017, from <http://www.globalissues.org/article/74/the-arms-trade-is-big-business>

Shah, A. (2013, June 30). World Military Spending — Global Issues. Retrieved March 6, 2017, from <http://www.globalissues.org/article/75/world-military-spending>

Sharkov, D. (2017, April 25). Russia eyes the far reaches of atmosphere with new S-500 air defense missile system. Retrieved August 4, 2017, from

<http://www.newsweek.com/russia-tests-its-next-generation-anti-aircraft-s-500-missile-589614>

SIPRI. (2016). SIPRI-NATO-milex-data-1949-2015.xlsx. Retrieved from <https://www.sipri.org/databases/milex>

Singer, P. W. (2003). *Corporate Warriors: The Rise of the Privatized Military Industry*. Cornell University Press.

Sivard, R. L. (1981). Socio-political Indicators. In Thee, Marek (ed.), *Armaments, Arms Control, and Disarmament: a Unesco Reader for Disarmament Education* (pp. 35-39). Paris: Unesco Press.

Snyder, Jack. (1991) *Myths of Empire: Domestic Politics and International Ambition*. Ithaca & London: Cornell University Press

Son dakika: Almanya'dan Türkiye'ye bir yasak daha. (2017, March 23). Retrieved March 28, 2017, from <http://www.cnnturk.com/dunya/son-dakika-almanyadan-turkiyeye-bir-yasak-daha>

Sönmez, G. (2017, February 24). Turkey's Euphrates Shield Operation: al-Bab and Beyond. Retrieved March 8, 2017, from <https://jamestown.org/program/turkeys-euphrates-shield-operation-al-bab-beyond/>

Sputnik. (2016, September 8). Genelkurmay: Çukurca'da etkisiz hale getirilen PKK'lı sayısı 186'ya ulaştı. Retrieved March 23, 2017, from <https://tr.sputniknews.com/turkiye/201609081024773953-cukurca-pkk-genelkurmay/>

SSM. (2013a). 2013 Ssm Yili Performans Programı.pdf (p. 68).

SSM. (2013b). Savunma Sanayi Müsteşarlığı 2013 Faliyet Raporu (Activity Report) (p. 123).

SSM. (2015). Savunma Sanayii Müsteşarlığı Faaliyet Raporu 2015 (Activity Report) (p. 58).

SSM. (2016). Yıllık Faaliyet Raporu 2016 (Activity Report) (p. 57).

Statista. (2017, June). Trend of global military spending 2000-2015 | Statistic. Retrieved August 4, 2017, from <https://www.statista.com/statistics/264434/trend-of-global-military-spending/>

Stork, J. (2016). *Arms Industries of the Middle East* | Middle East Research and Information Project. Retrieved February 15, 2017, from <http://www.merip.org/mer/mer144/arms-industries-middle-east>

Strack, C. (2015). Islamic State territory shrinks by 9.4% in first six months of 2015 | IHS Jane's 360. Retrieved February 15, 2017, from http://www.janes.com/article/53239/islamic-state-territory-shrinks-by-9-4-in-first-six-months-of-2015#.VbeipB_weRs.twitter

Syria rejects Russian proposal for Kurdish federation. (2016, October 24). Retrieved February 10, 2017, from <http://www.al-monitor.com/pulse/originals/2016/10/turkey-russia-mediates-between-kurds-and-assad.html>

The battle for Mosul in maps. (2017, March 31). The Guardian. Retrieved from <https://www.theguardian.com/world/2016/nov/04/battle-for-mosul-maps-visual-guide-fighting-iraq-isis>

Thee, M. (Ed.). (1981). Armaments, Arms Control, and Disarmament: a Unesco Reader for Disarmament Education. Paris: Unesco Press.

Theohary, C. (2016). Conventional Arms Transfers to Developing Nations, 2008-2015 (Congressional Research Service Report).

TOBB. (2008). Türk Savunma Sanayii Sektör Raporu (No. 2008/69) (pp. 1–88). Ankara: TOBB. Retrieved from <https://www.tobb.org.tr/Documents/yayinlar/Savunma.pdf>

TOBB. (2012). Türkiye Savunma Sanayi Meclisi Sektör Raporu (Sector Report) (p. 68). Ankara.

Trade Map - List of exporters for the selected product (All products). (n.d.-a). Retrieved April 16, 2017, from http://www.trademap.org/tradestat/Country_SelProduct_TS.aspx?nvpm=1||||TO TAL|||2|1|1|2|2|1|2|1|

Trade Map - List of exporters for the selected product (All products). (n.d.-b). Retrieved from http://www.trademap.org/tradestat/Country_SelProduct_TS.aspx?nvpm=1||||TO TAL|||2|1|1|2|2|1|2|1|

Trade Map - List of exporters for the selected product (Arms and ammunition; parts and accessories thereof). (n.d.). Retrieved April 16, 2017, from http://www.trademap.org/tradestat/Country_SelProduct_TS.aspx?nvpm=1||||93 |||2|1|1|2|2|1|2|4|1

Turkey enters Syria to remove precious Suleyman Shah tomb. (2015, February 22). BBC News. Retrieved from <http://www.bbc.com/news/world-middle-east-31572257>

Turkey | Product | Exports | to Europe & Central Asia 2015 | WITS | Data. (2017). [worldbank.org]. Retrieved August 4, 2017, from

<http://wits.worldbank.org/CountryProfile/en/Country/TUR/Year/2015/TradeFlow/Export/Partner/ECS/Product/all-groups>

Turkey F-35. (2015, January 7). Retrieved March 7, 2017, from <https://www.f35.com/global/participation/turkey>

Turkey's Altay MBT project hit by engine technology transfer issues | IHS Jane's 360. (2017, January 20). Retrieved March 3, 2017, from <http://www.janes.com/article/67104/turkey-s-altay-mbt-project-hit-by-engine-technology-transfer-issues>

Turkey's PKK Conflict: The Rising Toll. (2017). Retrieved April 6, 2017, from <http://www.crisisgroup.be/interactives/turkey/#methodology>

Tümosan Motor ve Traktör Sanayi A.Ş. Özel Durum Açıklaması (Genel). (2017, February 16). Kamu Aydınlatma Platformu.

Türkiye Avusturya'dan hangi silahları alıyor? | Gündem Haberleri. (2016, November 5). Retrieved March 28, 2017, from <http://www.haberturk.com/gundem/haber/1328698-turkiye-avusturyadan-hangi-silahlari-aliyor>

Türkiye Rusya'dan S-400 alıyor. (2017, July 13). Retrieved August 4, 2017, from <http://www.ntv.com.tr/galeri/turkiye/turkiye-rusyadan-s-400-aliyor,sYNQd330Q0GartLeXpTdvQ>

Türkiye Ticaret, S., Deniz Ticaret Odaları ve Ticaret Borsaları Birliği. (2012). Türkiye savunma sanayi meclisi sektör raporu 2011. Ankara: TOBB.

Türkiye'ye tank savunma sistemi satmak isteyen Alman şirkete izin verilmedi. (2017, March 23). BBC Türkçe. Retrieved from <http://www.bbc.com/turkce/haberler-dunya-39370421>

United Nation Group of Consultant Experts. (1981). Economic and Social Consequences of the Arms Race. In Thee, Marek (ed.), Armaments, Arms Control, and Disarmament: a Unesco Reader for Disarmament Education (pp. 40-57). Paris: Unesco Press.

Uslu, E. (2008, December 18). Turkish Military in Need of Unmanned Aerial Vehicles. Retrieved April 11, 2017, from <https://jamestown.org/program/turkish-military-in-need-of-unmanned-aerial-vehicles/>

Visualizations Related to Current and Past ISIS Territory Status in Iraq and Syria. (n.d.). Retrieved from https://www.graphiq.com/vlp/9Lz4Hdog9wx?utm_source=viz&utm_medium=viz.referral&utm_campaign=viz.ref&utm_viz_id=9Lz4Hdog9wx&utm_cat=Bubblemap%2F

Pathmap&utm_click_loc=body&utm_pubreferrer=www.independent.co.uk%2Fnews%2Fworld%2Fmiddle-east%2Fturkey-syria-ends-euphrates-shield-military-operation-binali-yildirim-jarablus-isis-islamic-state-a7657156.html

Volten, P. (2016). Hard power versus Soft power or a balance between the two? *All Azimuth: A Journal of Foreign Policy and Peace*, 5(2).
<https://doi.org/10.20991/aajfpp.51751>

Why is Suleyman Shah's tomb so important? (2015, February 22). BBC News. Retrieved from <http://www.bbc.com/news/world-middle-east-31574209>

Willen, B. (2015, April). Defense Industry Performance, Trends and Future Expectations. ATKearney Conference Presentation, SASAD.

Wolfers, A. (1952). "National Security" as an Ambiguous Symbol. *Political Science Quarterly*, 67(4), 481–502.

Yargıtay Başkanlığı. (2000, January). T.C. Yargıtay Başkanlığı, 26(1), 1–172.

Yemen crisis: Who is fighting whom? (2017, March 28). BBC News. Retrieved from <http://www.bbc.com/news/world-middle-east-29319423>

Yildirim†, J., Sezgin, S., & Öcal, N. (2005). Military Expenditure and Economic Growth in Middle Eastern Countries: A Dynamic Panel Data Analysis. *Defence and Peace Economics*, 16(4), 283–295. <https://doi.org/10.1080/10242690500114751>

Zanotti, J. (2011). Turkey-U.S. Defense Cooperation: Prospects and Challenges (Report for Congress No. R41761). Congressional Research Service.

Zanotti, J., & Clayton, T. (2017). Turkey: Background and U.S. Relations In Brief (Report for Congress No. R44000). Congressional Research Service.

Ziylan, A. (2001). Türkiye'de Savunma Sanayii Tarihçesi. *Ulusal Strateji Dergisi*, 7.