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Defense Procurement Reform in Turkey: **What goes Wrong?**

Why are some defense contracts corrupt in Turkey? The best answer, perhaps, is another question: Why should they not be, in a country where there has been increasingly systematic corruption -- civilian government offices, banks, local governments, even private businesses. Only the financial crisis of 2001 cost the Turkish taxpayer an estimated \$40 billion in a corrupt banking sector as bank-owners siphoned off much of the money. How could the military remain purely clean in a country where other institutions are endemically polluted by corrupt practice of all sorts? Why should it?

Half a century ago there was legal and social sanctioning against corrupt men: They were either punished by the law, or alienated from the society, or both. Today, the legal sanctioning is practically inefficient. But more dangerously, the social sanctioning, too, is rapidly becoming extinct. The Turks have become pragmatists, and they tend to ally with the powerful corrupt, rather than the powerless honest. Corrupt men are often confident that in the unlikely event of a prosecution they can win at the court and continue to enjoy finer things of life, and with no bitter looks from the others.

Ladies and gentlemen, I am talking about a country where, once, an arms dealer was sent to prison for bribing military officers, but no officer was prosecuted! It was as if the man had bribed the ghost of an officer, not an officer...

In Turkey, defense procurement is a complex matter. The players in this eccentric market are bound by eccentric rules. They hate publicity, good or bad, to avoid any "externality" that may damage the "**system at work.**" That system must be protected by all its beneficiaries. And one way to protect it from external distortion has been a made-up notion: the Sanctity of the State – that the military establishment is so holy and sacred and patriotic that good citizens should only turn a blind eye to its malpractice, should there be any.

Turkish children are taught to respect the judiciary, at all costs, because it is fundamental for the *raison d'état*. Similarly, the military, too, must be respected, at all costs, because it represents the supreme patriotism for *raison d'état*. Luckily, Turkey's former military chief who retired in August, departed from the Orientalist language and said that patriotism could be monopolized by the men in uniform. For decades, Turkish top brass have thought that it would be a bad thing for the military's public image if the public learned about some shady deals in the military (mind you, the military is the most-trusted institution in Turkey). It takes a mental transformation to switch to a modern view that actually the public would respect the top brass even more if they exposed and brought to justice their corrupt colleagues, especially in a country where the civilians often don't.

Luckily, again, under the same top commander, General Hilmi Ozkok, there was a breakthrough. In 2004, a retired Navy Commander had to stand trial on orders from General Ozkok and was eventually found guilty by a military court on charges of defrauding his expenses accounts, abusing his authority and failing to justify how he afforded tow luxury villas in Istanbul – each worth \$1.2 million. The Admiral was sentenced to two years and a half, stripped off his military ranks, and his villas were seized. That trial had symbolic value because it marked the efforts for a cleansing in the barracks. It also had deterrence value –a message to potentially corrupt officers that things were changing at the headquarters.

But what are the dynamics of corruption in Turkish military contracts? Although this is an extremely complex business, I shall try to summarise:

1. Much evil takes off in the form of “**urgent requirements**” the services request. The procurement authorities should very carefully examine the urgency of these requirements. The trouble here lies mostly with the technicality. It may often be difficult for the civilians to challenge the officers in establishing which weapons system represents an urgent requirement and which one does not. In practice, “urgency of the requirement” can be used by the end-user (the military) to justify a purchase that is pre-planned to go to a certain source.

2. **The agents...** I am sure if Turkish auditors had quick look at the financial dealings of local arms dealers they could find out too much on the “dark side of the moon” that is the Turkish procurement sector. The agents are often too influential, sometimes they even lobbying for military promotions in favour of “their men.” They are very rich and powerful; they have the resources to “invest for the future.” In a rather naïve effort to minimize the agent role, the Turkish General Staff a few years ago banned all contacts between officers and company officials. That move has only pushed the bad relationships underground. In other words, the contact ban has meant increased business for posh hotels and restaurants in Ankara. The bad chap is still able to meet with his military contacts outside the barracks, but the good chap who has a query on a dossier cannot see any official because (a) he cannot officially see an officer and (b) he does not have the necessary connections for social gatherings. Under these circumstances, the honest foreign company is lost in Ankara, and suddenly there is someone in the circle who recommends an agent who can make the life perfect for it. (the regulations ask a company that wants to promote its systems to the Turkish military to applies to the Ministry of Defense, pay a sum of \$600 in advance, wait for about six months for a meeting with junior officers which often leads to nowhere).
3. Some of the top brass have had the bad habit of telling the procurement officials not only what they need for operational purposes, but also where these requirements should be bought from. That practice is utterly undemocratic and naturally suspicious. It must be understood that it is the end-user’s job to tell what it needs but not **where to buy** it from.
4. Turkey’s **local defense companies**, mostly military- and/or government-owned, must behave like commercial companies, and not charity houses to benefit retired officers or their friends and relatives (the top five are military- and government-owned, and employ a good deal of military-related personnel).
5. It has been a tolerated practice that **retired officers** are hired by agents or by foreign manufacturers who maintain offices in Turkey. In the first place, this is against laws – that a retired government official cannot, after his retirement, join a private company operating in his field of service for a period of two

- years. In reality, officers either join private companies not caring about the law, or “help these companies” without officially appearing on their payrolls. Another common practice is that the “talented” relatives of some officers or civilian procurement officials are hired by agents or manufacturers but again, not officially. What’s wrong if the son of General X is seen frequenting the offices of Agent Y daily “only to discuss football” as long as he is not on the company’s payroll? Who can prove anything fishy?
6. The system punishes the honest bidder. This is business and not charity work. So, how long a company which is naturally a profit-maximiser can stay in the clean and watch others make dirty millions? This is **the spill-over effect**: the system corrupts non-corrupt but frustrated men. At some point our clean businessman would say “Basta!” and switch into “the dark side of the moon.”
 7. There is always the **indirect bribing**... Inviting officials to exotic countries, hosting them, wining and dining them, safaris and hunting parties, even some social affairs I shall avoid to mention, we’ve seen all that practice. Travelling to the manufacturers’ country to inspect the product is inevitably part of the job. But Turkey must introduce strict codes of conduct as to these often colourful events.
 8. Going back to local companies...Turkey’s entire defense industry is about \$400 million a year, and that accounts for only 10 percent of the country’s annual purchase of new weaponry. As I have said, the big ones in the game are government-controlled, and, naturally, over-employed and inefficient. Here we see the government corrupting the government. They often abuse the end-user by highlighting their “**national identities**” and selling fake and over-priced “national products” to them – products they often buy from abroad, put a few screws on, seal as their own ‘national work’ and sell to the government at exorbitant prices. With the exception of a few engineering success stories the export performance of the Turkish defense industry is very poor. And these companies are often in a non-sense rivalry and too ambitious to defeat the other. That rivalry has in the past caused parodies: an aircraft manufacturer bid for software contracts, and the missile manufacturer for tanks...

9. The **auditing system** is very weak. There is need for independent auditing for defense procurement contracts from both technical and financial viewpoints. Turkey needs better checks and balances. Actually, enlarging the bureaucracy in decision-making process can help. Despite a potential loss in efficiency, the more officials are involved in the process and the more signatures are required for a fully-accomplished business, the more difficult it would be for the bad chap. If a briber deals with two officials, the project may still be feasible, but if he has to make a dozen men happy, then the situation is different. He may decide not to... Another idea could be to change civilian and military personnel dealing with projects more often. That way, the potential briber could be deterred: for the briber, it's always a time- and resource-consuming task to start all over with a new-comer to the desk.

Fighting corruption in the defense sector requires a clean administrative fabric and, even more importantly, a clean judiciary. Unfortunately, the latter is rare product in Turkey.