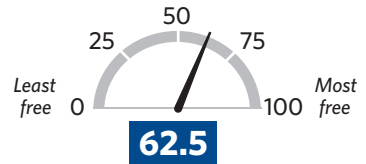


TURKEY

Economic Freedom Score



World Rank: **73**

Regional Rank: **34**

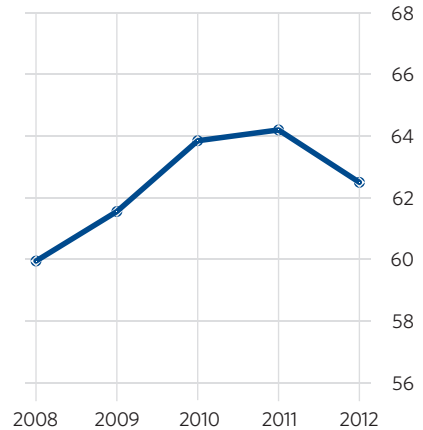
Turkey's economic freedom score is 62.5, making its economy the 73rd freest in the 2012 *Index*. Its score is 1.7 points lower than last year, reflecting explosive growth in government spending mitigated to some extent by a notable improvement in financial freedom. Turkey is ranked 34th out of 43 countries in the Europe region, and its overall score is higher than the world average.

The Turkish economy is one of the region's most dynamically developing markets. The private sector is expanding rapidly, though the state remains heavily involved in the economy. The banking sector has weathered the financial turmoil relatively well with little government intervention. An improving regulatory environment and open-market policies that support global trade and investment sustain overall competitiveness.

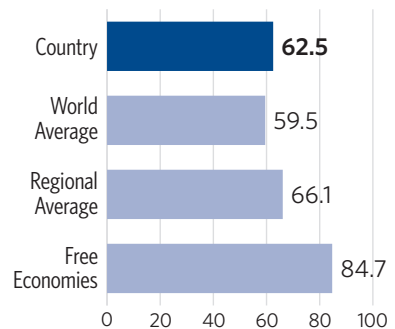
Turkey's transition toward greater economic freedom has slowed notably, however, weighed down by lingering institutional shortcomings. Property rights are moderately well protected, but the relatively inefficient judicial system is ineffective in combating corruption. Chronic fiscal deficits highlight the need to enhance public finance management and restructure public-sector programs.

BACKGROUND: Turkey, a constitutionally secular state often viewed as a bridge between East and West, has developed into a successful multi-party democracy. Some in the West worry that Prime Minister Recep Tayyip Erdogan's Justice and Development Party (AKP) is pushing an Islamist agenda and eroding Turkey's Euro-Atlantic connections. Yet Turkey is a maturing democracy, and under Erdogan's leadership, modernization is progressing despite clashes with the media and the slow pace of judicial reform. In parliamentary elections in June 2011, the AKP fell short of gaining enough seats to write a new constitution. The European Union formally granted Turkey candidate status in 1999, but strong opposition from France, Germany, and Austria makes final accession unlikely. Turkey's ongoing dispute with Cyprus has also delayed negotiations. Principal exports include foodstuffs, textiles, clothing, iron, and steel.

Freedom Trend



Country Comparisons



Quick Facts

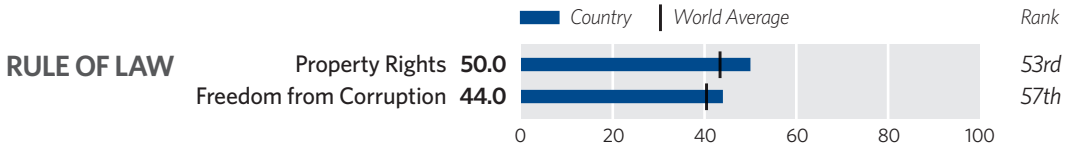
Population: 71.3 million
GDP (PPP): \$960.5 billion
 8.2% growth in 2010
 5-year compound annual growth 3.0%
 \$13,464 per capita
Unemployment: 11.7%
Inflation (CPI): 8.6%
FDI Inflow: \$9.0 billion
Public Debt: 42.2% of GDP

2010 data unless otherwise noted.
 Data compiled as of September 2011.

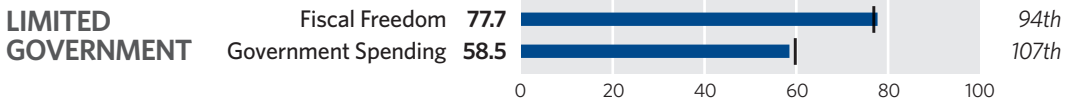
How Do We Measure Economic Freedom?

See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

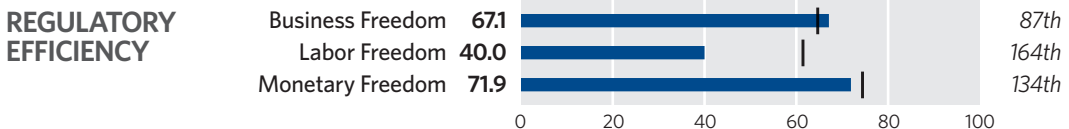
THE TEN ECONOMIC FREEDOMS



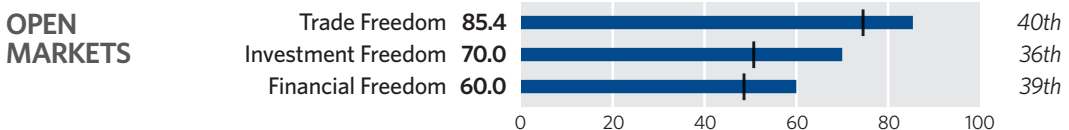
Property rights are generally enforced, but the courts are overburdened and slow, and judges are not well trained for commercial cases. The judiciary is subject to government influence. The intellectual property rights regime has improved, but infringement remains high. Bribery is outlawed, and some officials have been prosecuted for corruption, but corruption continues to undermine perceptions of government integrity.



The top income tax rate is 35 percent, and the top corporate tax rate is 20 percent. Other taxes include a value-added tax (VAT) and an environmental tax, with the overall tax burden amounting to 24.6 percent of total domestic income. Government spending has risen to a level equivalent to 37.2 percent of GDP. The budget balance has been in deficit in recent years, and public debt has reached 42.2 percent of GDP.



The process for registering and setting up private enterprises has become less time-consuming, but bureaucratic red tape and ineffective enforcement of regulations continue to hinder entrepreneurship. Completing licensing requirements still costs about twice the level of average annual income. The labor market's rigidity has contributed to the formation of a large informal sector. Monetary stability remains weak.



The trade weighted average tariff rate is relatively low at 2.3 percent, but non-tariff barriers constrain freedom to trade. Foreign investment is officially welcome, but restrictions remain in a number of sectors. All investors face excessive bureaucracy and frequent changes in the legal and regulatory environment. The financial system has undergone a rapid transformation, with greater transparency and competitiveness.

Score Changes

RULE OF LAW	LIMITED GOVERNMENT	REGULATORY EFFICIENCY	OPEN MARKETS
Property Rights	Fiscal Freedom	Business Freedom	Trade Freedom
0	-0.5	-1.6	0
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
0	-25.1	+0.4	0
		Monetary Freedom	Financial Freedom
		-0.8	+10.0