TURKEY

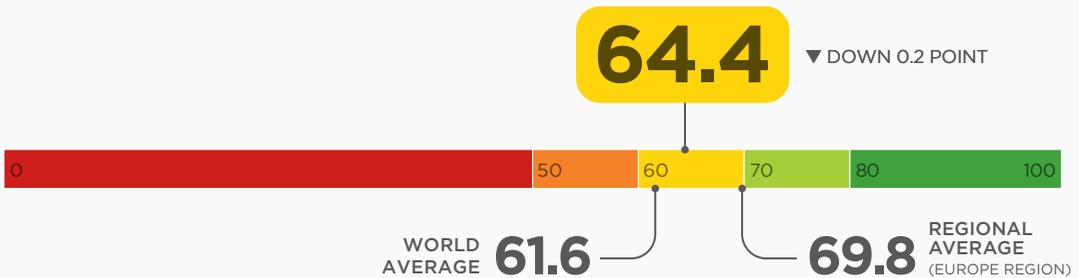**T**urkey's economic freedom score is 64.4, making its economy the 71st freest in the 2020 *Index*. Its overall score has decreased by 0.2 point due to a lower **fiscal health** score. Turkey is ranked 36th among 45 countries in the Europe region, and its overall score is well below the regional average and above the world average.

The Turkish economy has been moderately free for more than a decade. GDP growth had been robust until 2018, when a currency and debt crisis pushed the economy into recession.

The resilience of Turkey's economy is due to solid public finances, well-capitalized banks, and a dynamic and diversified private sector. Moving into the mostly free ranks of economic freedom, however, will require reforms to make the labor market more competitive. More urgently, the government will have to strengthen judicial effectiveness and the fight against corruption, both of which were damaged in the aftermath of the crackdown that followed the attempted coup in 2016.
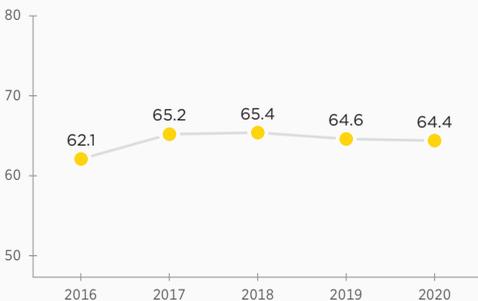
ECONOMIC FREEDOM SCORE

64.4 ▼ DOWN 0.2 POINT

| 0 | 50 | 60 | 70 | 80 | 100 |

WORLD AVERAGE **61.6**

REGIONAL AVERAGE (EUROPE REGION) **69.8**

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +6.0

RECENT FREEDOM TREND

	2016	2017	2018	2019	2020
Score	62.1	65.2	65.4	64.6	64.4

QUICK FACTS

POPULATION:
82.0 million

GDP (PPP):
$2.3 trillion
2.6% growth in 2018
5-year compound annual growth 4.9%
$27,956 per capita

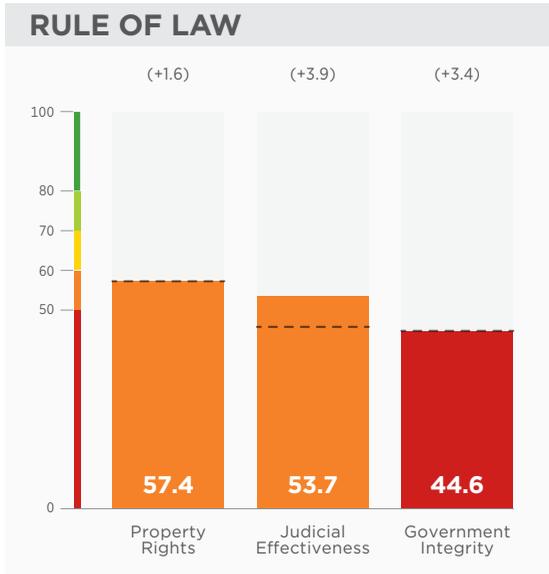**UNEMPLOYMENT:**
10.9%

INFLATION (CPI):
16.3%

FDI INFLOW:
$12.9 billion

PUBLIC DEBT:
29.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Turkey is a constitutionally secular republic, but President Recep Tayyip Erdogan's Justice and Development Party (AKP) has pushed an Islamist agenda and eroded democracy. Erdogan further consolidated power after 2018 elections allowed an AKP coalition with the Nationalist Action Party to retain control of the unicameral national assembly while Erdogan eked out a slim victory for a second four-year term as president. Turkey's largely free-market and diversified economy is driven by its industrial and service sectors, but traditional agriculture still accounts for about 25 percent of employment. Although the economy has shown resilience in the past, political instability has blocked needed reforms, and a 2018 currency crisis and recession have put severe pressure on the country.
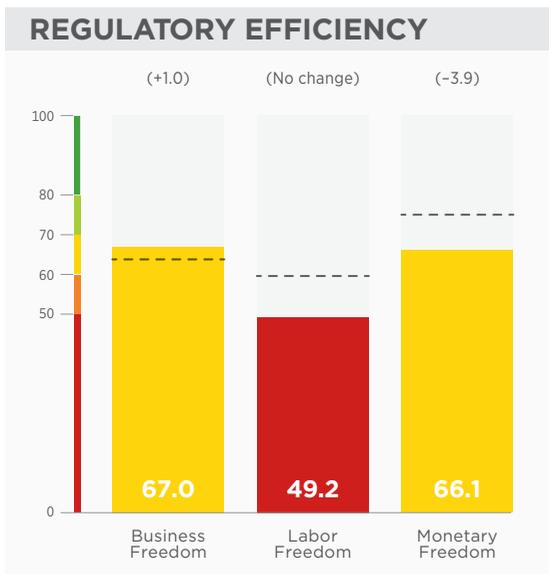
12 ECONOMIC FREEDOMS | TURKEY

RULE OF LAW

(+1.6) (+3.9) (+3.4)

Property Rights **57.4**
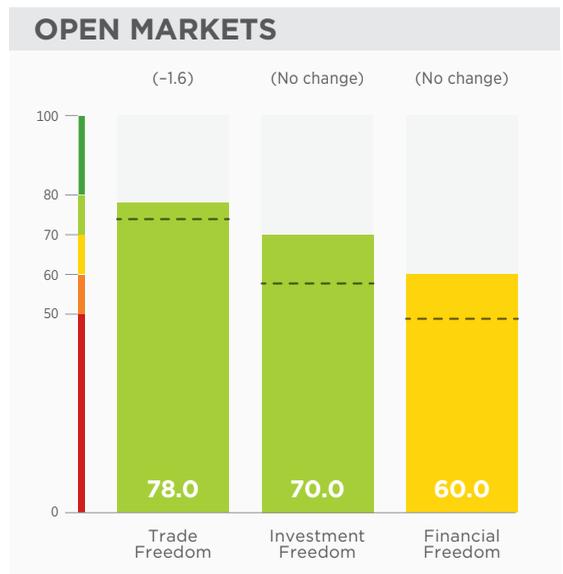Judicial Effectiveness **53.7**
Government Integrity **44.6**

Secured interests in property are recognized and enforced, and public record-keeping is reliable. Following the July 2016 coup attempt, the government confiscated over 1,100 companies. Judicial independence has been severely weakened since the coup attempt. Corruption, including money laundering, bribery, and collusion in the allocation of government contracts, remains a major problem even at the highest levels of government.

GOVERNMENT SIZE

(+0.3) (–1.0) (–6.1)

Tax Burden **76.7**
Government Spending **64.1**
Fiscal Health **86.1**
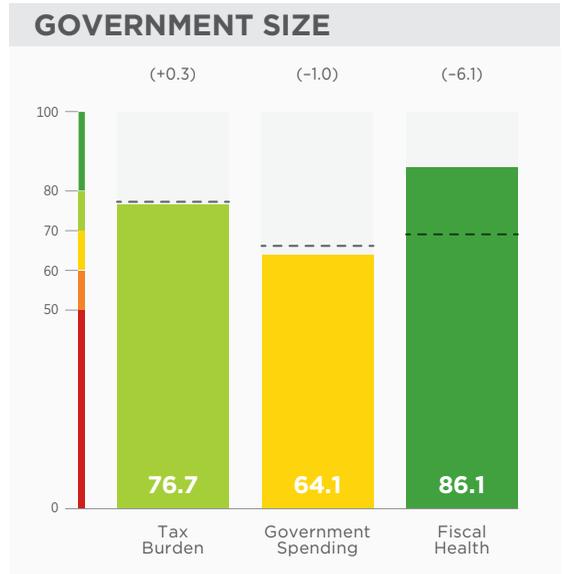
The top personal income tax rate is 35 percent, and the top corporate tax rate is 22 percent. Other taxes include value-added and environment taxes. The overall tax burden equals 24.9 percent of total domestic income. Government spending has amounted to 34.6 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.8 percent of GDP. Public debt is equivalent to 29.1 percent of GDP.

REGULATORY EFFICIENCY

(+1.0) (No change) (–3.9)

Business Freedom **67.0**
Labor Freedom **49.2**
Monetary Freedom **66.1**

Government decision-making can be opaque, and arbitrary regulatory enforcement hampers businesses. Several business-friendly reforms were adopted in the past year, but transferring property became more costly. The workforce is relatively well educated, but the labor market remains rigid. Although Turkey had few price controls historically, the government tried to tamp down increases in food prices in 2019 by imposing price controls at the wholesale level.

OPEN MARKETS

(–1.6) (No change) (No change)

Trade Freedom **78.0**
Investment Freedom **70.0**
Financial Freedom **60.0**

The total value of exports and imports of goods and services equals 60.4 percent of GDP. The average applied tariff rate is 3.5 percent, and 335 nontariff measures are in force. Foreign investment is welcome, but restrictions remain in effect in a number of sectors. Investors face lingering bureaucracy in the regulatory environment. The financial system is evolving toward greater transparency and competitiveness.