

# TURKEY

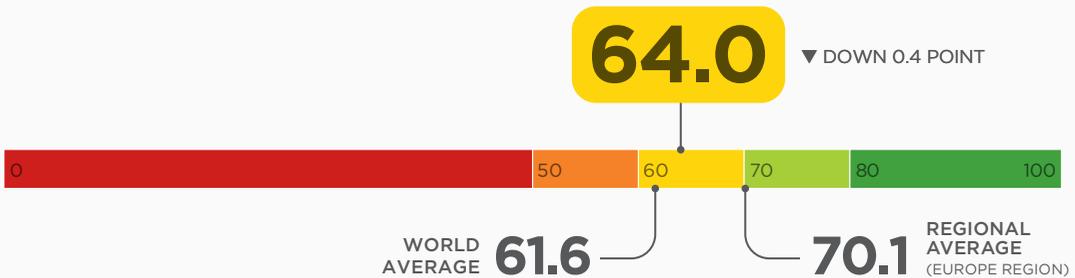
Turkey's economic freedom score is 64.0, making its economy the 76th freest in the 2021 *Index*. Its overall score has decreased by 0.4 point, primarily because of a decline in **fiscal health**. Turkey is ranked 37th among 45 countries in the Europe region, and its overall score is below the regional average but above the world average.

The Turkish economy remains moderately free this year. Any advancement will require broad reform to improve the transparency and efficiency of the regulatory system. More urgently, the government needs to strengthen judicial effectiveness and the fight against corruption, both of which remain damaged in the aftermath of the purging of the judicial system that followed the attempted coup in 2016.

**IMPACT OF COVID-19:** As of December 1, 2020, 13,936 deaths had been attributed to the pandemic in Turkey, and the economy was forecast to contract by 5.0 percent for the year.

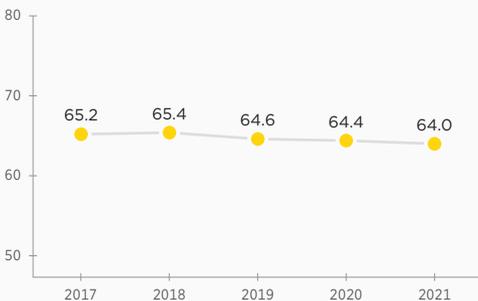
WORLD RANK: **76** | REGIONAL RANK: **37**  
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +5.6

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
83.4 million

**GDP (PPP):**  
\$2.4 trillion  
0.9% growth in 2019  
5-year compound annual growth 4.1%  
\$27,875 per capita

**UNEMPLOYMENT:**  
13.5%

**INFLATION (CPI):**  
15.2%

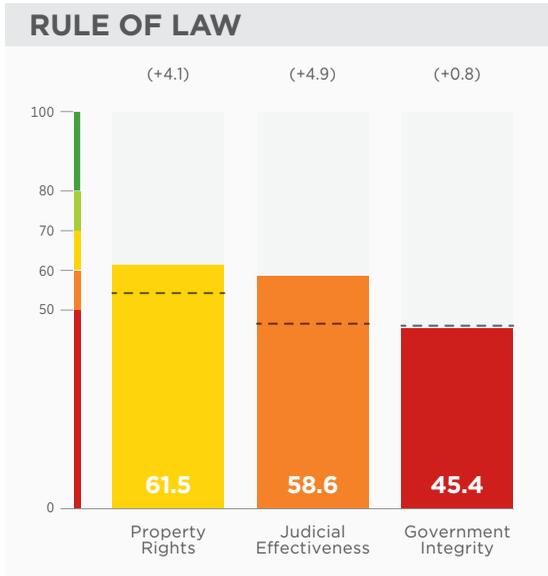
**FDI INFLOW:**  
\$8.4 billion

**PUBLIC DEBT:**  
33.1% of GDP

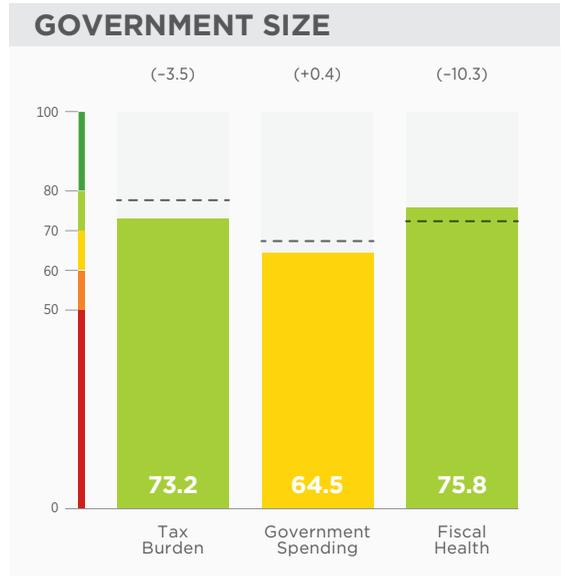
2019 data unless otherwise noted. Data compiled as of September 2020

**BACKGROUND:** Turkey is a constitutionally secular republic, but President Recep Tayyip Erdogan's Justice and Development Party (AKP) has pursued 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 managed by a slim margin to win 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.

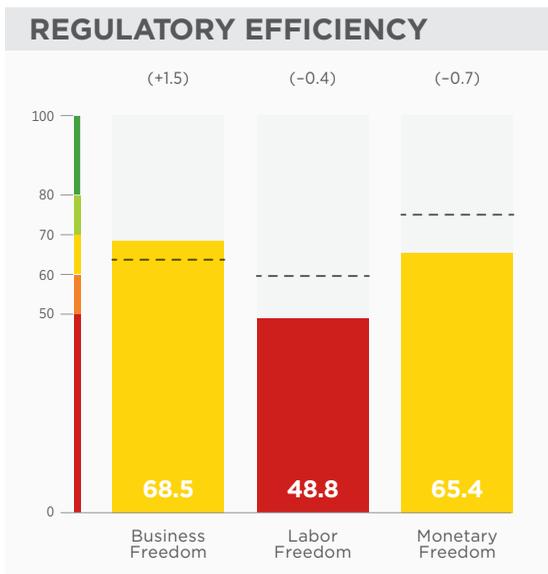
# 12 ECONOMIC FREEDOMS | TURKEY



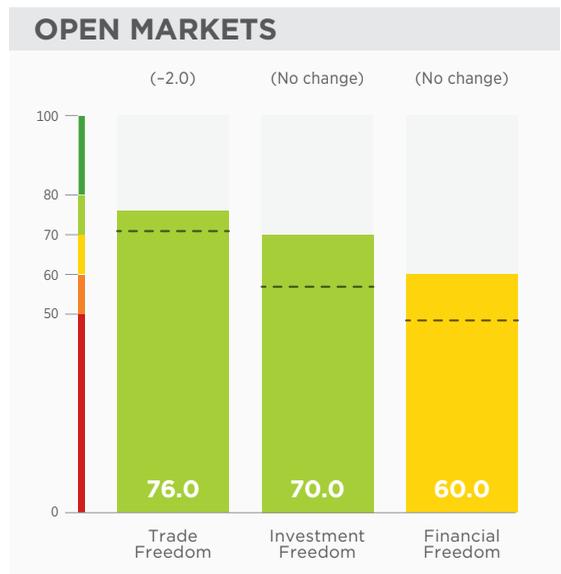
Secured interests in property, both movable and real, are generally recognized and enforced, but assets worth billions were expropriated from government critics after the 2016 failed coup attempt. The judiciary is independent but heavily influenced by the executive. Courts are overburdened and slow. Corruption, including money laundering, bribery, and collusion in the allocation of government contracts, remains a major problem even at the highest levels of government.



The top individual income tax rate has been increased to 40 percent, and the top corporate tax rate is 22 percent. Other taxes include a value-added tax. The overall tax burden equals 24.4 percent of total domestic income. Government spending has amounted to 34.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.7 percent of GDP. Public debt is equivalent to 33.1 percent of GDP.



Amendments to the tax code have eased the cost of investment. It now also costs less to start a business and deal with construction permits. Rigid labor laws prevent the development of a more dynamic labor market. Historically, Turkey has had few price controls, but the World Bank reports that funding for subsidies and transfer payments consumes nearly half of the annual budget.



Turkey has 22 preferential trade agreements in force. The trade-weighted average tariff rate is 4.5 percent, and 337 nontariff measures are in effect. Persistent hurdles to more dynamic foreign investment flows include bureaucracy and the lack of transparency. Large-scale investment incentives have been replaced by more sector-specific measures. The financial system is subject to state influence, and state-owned banks dominate the banking sector.