Turkey's Defense Procurement Policy: New Priorities

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Introduction

Over the last twenty years, Turkey’s defense industry has grown as a result of the country’s strict adherence to a policy that favors domestic defense procurement and seeks complete self-sufficiency. However, in a global industry marked by increasing cooperation, this policy will soon become sub-optimal. This article seeks to identify the changes Turkey should make to its procurement policy in order to best develop its defense industry — changes which will benefit national and regional security as well as increase the nation’s role as a global defense manufacturer.

The state of the global defense industry is especially important to Turkey because of the country’s geography, the role and size of its armed forces, and the country’s many security threats. Turkey lies in the middle of three regions of instability: the Caucasus, the Balkans, and the Middle East. (Hickok, p. 1) Its location, in combination with its status as a secular state surrounded by Islamic countries, contributes to its need for a large army. The Turkish Armed Forces (TAF) make up the second largest army in NATO and participate in peacekeeping missions throughout the globe (in 2008, they were deployed to nine different countries). (“Turkey Defence . . . .” p. 31) Additionally, the TAF often intercede in political matters and respond to internal security threats. (Mardell, p. 2) For the past several years, Turkey’s main security challenge has been the Kurdish separatist group known as the PKK, which is active mostly in mountainous Southeastern Turkey. Moreover, while tensions with Armenia and Greece have lessened, growing hostility between Turkey and Israel may lead to increased conflict in the area.

Turkey plays a role not only in international defense, but is also a major player in global arms procurement. Historically, a large portion of Turkey’s national budget has been spent on defense, making it one of the world’s top three global defense importers for most of
the past twenty years. (“Turkey Defence . . . ,” p. 34) Furthermore, its growth in defense spending has been the highest among Western Allies.¹ (Sandler and Hartley, p. 9) The global economic landscape and Turkey’s position as a large defense importer have allowed it to exercise leverage on its suppliers through its procurement policy, with the goal of expanding its indigenous (domestic) defense industry by requiring knowledge and license transfers and offset agreements.

In the first section of this article, I describe the global economic landscape of the defense industry and how it affects Turkey’s outlook. I next describe Turkey’s historical motivations, framework, and policy strategies for promoting its indigenous defense industry. With this background I analyze the strengths and weaknesses of Turkey’s defense policy and propose changes based on the experience of other nations. Finally, I explore what effect the intergovernmental defense efforts within the EU will have on the European defense arena in order to highlight actions Turkey might take to ensure that its efforts bear fruit in the future.

Global Landscape

In an analysis of Turkey’s role in today’s defense arena, it is important to identify the dynamics that affect the global industry as a whole. Although more than half of the world’s military expenditures are still incurred by the U.S. (The World Bank Group), the global landscape of defense industries has been shifting since the end of the Cold War. Since then, a global marketplace has been replacing the old U.S.-and Soviet-dominated system. Dr. Jurgen Brauer, professor of economics at Augusta State University, refers to the nations that have emerged to create this global marketplace as “second-tier producers.” These nations not only buy and sell weapons systems globally, but they also develop and build systems cooperatively across borders. Second-tier producers are nations that lack the capability to produce complex weapon systems independently, and, unlike first-tier producers, rely on cooperation, joint ventures, and specialization. (Brauer, p. 106) In this new world order, cooperation between the defense industries and the procurement agencies of allied nations is more important than ever. (Brauer, p. 113)

The transition to this new world order is a direct consequence of the decline in global military expenditures in the 1990s. As a percentage of GDP, global military expenditures dropped from four percent to below two and one half percent between 1989 and 1999 and have remained there ever since. (The World Bank Group) Defense budgets dropped worldwide due to decreases in military tension with the collapse of the Soviet Union. Because of this, armed forces have downsized and are shifting from territorial defense toward peacekeeping. The current resurgence of security tensions with the war against terror requires smaller but more sophisticated defense mechanisms. It is only natural that these changes on the demand side of the defense arena have triggered transformations in the industries that supply their needs. These changes include industry consolidation and increased cooperation/technology transfers between nations. Defense firms and governmental agencies within Europe and in the U.S. have reacted differently to this situation. I compare and contrast their reactions below and discuss their effects on Turkey’s situation.

According to a U.S. General Accounting Office (GAO) report to Congress in 1998, U.S. corporations underwent drastic reform in the early 1990s through a series of mergers and acquisitions. These resulted in a smaller number of larger firms that work as national “champions” with the country’s procurement agencies to meet the needs of the armed forces. (GAO, pp. 1–2) Given the post-Cold War decrease in demand, the industry would have struggled with profit margins without a significant reduction in assets. (Deutch, p. 1) Furthermore, consolidating its defense industry allowed the U.S. to remain competitive by taking advantage of

¹Sandler and Hartley refer to the following countries as Western Allies in their analysis of defense spending trends: U.S., Germany, New Zealand, Belgium, Denmark, Netherlands, UK, France, Japan, Canada, Spain, and Turkey.

²Rogerson argues that in order to profitably produce a complicated weapons system, high fixed costs and R&D spending must be spread out across many units in what is referred to as batch production. A single country’s defense needs are no longer sufficient to warrant several companies producing large batches of complicated equipment.
economies of scale\textsuperscript{2} which play a large role in the production of complex weapons systems. (Rogerson, p. 71)

Private defense firms in the EU reacted to the emergence of more efficient, consolidated U.S. firms by embarking on a reform of their own. Although the transition has been more sluggish in the EU, Jocelyn Mawdsley cites the consolidation of three defense giants — BAE Systems, EADS, and Thales — as early signs of a move toward efficiency. (Mawdsley, p. 327)

Unlike the U.S. mergers, however, some EU mergers have involved firms from other EU countries. Perhaps more importantly, the European governments have been more flexible in allowing for technology transfers with allies. This culture of openness becomes a competitive advantage in the negotiation of international deals with offset agreements. Countries generally seek to maintain their balance of trade and protect their native defense industries by requiring offsets on defense import deals, which are contractual obligations often found in international defense and aerospace deals. For example, in an offset agreement the supplier will either produce some of the goods in the purchaser’s country in conjunction with a domestic firm, or it will procure a certain percentage of the value of the goods from the purchaser in the future. Reduced restrictions on license and technology transfers allow defense firms to work together more efficiently and persuade protectionist governments to engage in defense imports. By tapping into international markets, firms can spread out the expense of designing and manufacturing complicated defense systems.

Although the U.S. used to be Turkey’s main provider of defense equipment, recent Turkish procurement deals have been dominated by European firms, largely because Europe has less stringent technology transfer policies. (Enginsoy and Bekdil, p. 1) (Notable exceptions include large, ongoing air force deals negotiated through the U.S. Foreign Military Sales (FMS) program.) (Enginsoy and Bekdil, p. 3) One example of a recent European victory over a U.S. firm was Turkey’s choice of AgustaWestland (a British-Italian group) over Bell Helicopter (U.S.) for the purchase of at least fifty military helicopters.\textsuperscript{3} In a Defense News article, one unnamed expert in the defense industry explains Turkey’s preferences for European manufacturers as a result of this competitive advantage in technology transfer policies. As he states, “European firms, especially Italians, are generally very generous in technology transfer as well as in matters like corporate strategic depth and possible cooperation in . . . [foreign] . . . countries.” (Quoted in Enginsoy and Bekdil, p. 1)

The fact that Turkey has been leaning toward Europe in its defense deals is one of the effects of Turkey’s current procurement policy. Below, a closer look at the history of Turkey’s defense procurement in the past three decades reveals the motivations, framework, and policy strategies for the buttressing of Turkey’s indigenous defense industry.

**Strengthening the Indigenous Defense Industry: Motivation, Framework, and Strategies**

The relevant history of Turkey’s defense acquisitions began during the Cold War when the Republic of Turkey obtained practically all of its defense equipment through military aid from the U.S. (“Turkey Buys . . . .,” p. 1) Throughout this period of military tension, Turkey played a key role as a buffer state between the West and the U.S.S.R., policing naval traffic through the Bosphorus. The Bosphorus divides eastern and western Istanbul, Europe from Asia, and is the only waterway connecting the Black Sea to the Sea of Marmara and thus to the Mediterranean. The surge of military aid from the U.S. to Turkey during the Cold War caused Turkey’s small but growing defense industry, which had germinated during Ataturk’s regime, to atrophy. (Karasapan, p. 27) During this period, Turkish dependence on the U.S. for military financing included funding for its military equipment and most of its training. (“Turkey Buys . . . .,” p. 1)

This all changed in 1974 with the Turkish invasion of Cyprus, which resulted in a Western arms embargo of Turkey (Bekdil 2008, p. 106). The embargo served as the motivation for Turkey to take arms production into its own

\textsuperscript{2}Other recent European victories over U.S. firms in Turkish defense tenders include a submarine deal with German HWD, a deal for Turkey’s first military satellite with Italian Telespazio, and another AgustaWestland helicopter deal. (Enginsoy and Bekdil, p. 1)
hands. In 1985 the Turkish Parliament reacted to the embargo by passing Law 3238, building a framework that it hoped would one day lead to a self-reliant, indigenous Turkish defense industry. (Savunma, p. 1) Although the threat of a Western embargo is no longer significant and Turkey's foreign procurement is now significantly more diversified, this framework persists and its priorities remain unchanged.

Law No. 3238 created the three organizations that continue to manage Turkish defense procurement today. (Hickok, p. 4) The first is the Undersecretariat for Defense Industries (SSM), which issues requests for proposals (RFPs) for the TAF’s procurement tenders. It collects and evaluates competing company bids for these tenders and conducts project management duties for ongoing programs. The second organization, the Defense Industry Executive Committee, is a group appointed by the Turkish Prime Minister, the Minister of Defense, and the Chief of General Staff. This group reviews the SSM’s evaluations of company bids and selects the winners. The third organization is the Defense Industry Support Fund (SSDF), a state-owned investment company that provides extra-budgetary funding for procurement activities. The funding for the equipment itself comes mostly from the budget of the Ministry of Defense (MOD). (Sünnetci, p. 93)

Additionally, Law 3238 describes the agency’s two main goals as the “development of the Turkish defense industry” and the “modernization of the Turkish armed forces.” (Subasi, p. 4) In other words, Turkey must structure its procurement policy “to produce all of the defense equipment needed by [the] TAF in Turkey as far as this is technically possible and economically viable.” (Sünnetci, p. 96) In order to perform these functions, the SSM has concentrated on enforcing a priority-based procurement policy and promoting industry consolidation. Table 1 depicts the types of RFPs the SSM will issue in order of preference. A certain type of RFP will not be considered for the procurement of a system unless all the possibilities with a higher preference (those that lie above it on the table) are deemed impossible for the system.

When the SSM judges that local production is not feasible, it issues a co-production RFP, which delineates strict bidding rules with the aim of creating opportunities for the Turkish indigenous industry. Among its top priorities is production on Turkish soil and the transfer not only of know-how, but also of licenses so that Turkish firms may export the product in the future. (Bekdil 2008, p. 106)

If foreign firms are unwilling to transfer licenses for a system, the SSM will issue an RFP whereby the SSM purchases the system from a foreign firm but the equipment itself is produced in Turkey by a Turkish firm. In this case, although the license itself is not transferred, the know-how is. This encourages the growth of the Turkish defense industry and increases the number of Turkish jobs.

Finally, when all else fails, the SSM purchases equipment off-the-shelf from foreign companies, but makes sure that deals include a large offset agreement. (Bekdil 2008, p. 106) Offsets have become a major source of business for Turkish defense firms. In fact, approximately 70 percent of the export revenues for Turkish defense companies are from offsets. (Sünnetci, p. 105) Offset agreements become an especially high priority for the SSM in off-the-shelf purchases.

<table>
<thead>
<tr>
<th>Type</th>
<th>Stipulations</th>
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<tbody>
<tr>
<td>Indigenous Development</td>
<td>A Turkish firm will be paid for both design and production. Other Turkish firms and foreign firms share licensing rights and most of the production occurs in Turkey.</td>
</tr>
<tr>
<td>Co-Production</td>
<td>System is designed abroad and foreign firm maintains rights to the system, but it is manufactured in Turkey.</td>
</tr>
<tr>
<td>Production under License</td>
<td>System is purchased from foreign firm with a large offset agreement.</td>
</tr>
<tr>
<td>Off-the-shelf</td>
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Source: Bekdil 2008.
The other strategy used by the SSM to promote the growth of its indigenous defense industry falls outside of the realm of defense procurement. Like the U.S. and Europe, Turkey is aiming toward industry consolidation; but in the Turkish case this effort is driven by the state not the private sector. In April 2006 Turkish Prime Minister Recep Tayip Erdogan ratified a plan to create a holding company owned by the Foundation to Strengthen Turkish Armed Forces (TSKGV), a foundation that operates under military control. The process has stalled due to political reasons, and there has been no merger. (Bekdil 2008, p. 106) However, if the merger were to happen, this holding company would act as an umbrella firm for fourteen of the largest Turkish defense firms. The aim of the holding company would be to prevent duplication of efforts and make the industry more competitive globally. (“Turkey Defence and Security . . .,” p. 37)

The Turkish Defense Industry: Revenues and Industrial Production

The SSM has been consistent in applying its preferential procurement policy to its procurement process as described in the last section. In this section I describe the growth of the industry in the past decade according to publicly available data. Indirect evidence of growth can be seen in the increasing number of Turkish companies that appear in the Turkish Defense Industry Product Catalog — 160 in 1995 and 245 in 2007. (Sünnetci, p. 97) The industry as a whole has experienced an increase in sales revenue of 70 percent and an almost three-fold increase in exports between 2004 and 2008. (Defence Industry . . ., p. 4) The number of defense products manufactured by Turkish firms has also increased. Some of the products that are currently in either indigenous development and production contracts or co-production contracts are very sophisticated. For example, Turkey will soon have production capabilities and licenses to export its own trainer plane, attack helicopter, and main battle tank platforms into the world markets.

The Defense Industry Manufacturers Association (SASAD) is an organization that provides information about the Turkish defense industry to and from the military and the public. Its data show an average annual growth in domestic revenues of eight percent in the period between 1997 and 2008, which is three percent above Turkey’s average annual GDP growth rate for the same period. Figure 1 shows the difference between the industry’s sales growth and GDP growth for each year; in eight of eleven years the industry grew more quickly than the Turkish economy as a whole.

The Turkish Statistical Institute calculates the Monthly Industrial Production Index as a metric for short term economic decisions.
Regarding Turkish production. (Turkish Statistical Institute) Although the Turkish Statistical Institute does not publish data for the entire defense industry, it does publish the production index for manufacturers involved in weapons and ammunitions. For the periods between 2005 and 2009 the average monthly increase in this index was 12 percent compared to 0.85 percent for production by manufacturers in general.

Figure 2 depicts the yearly average growth rates in the production index of weapons and ammunition and for manufacturers in general. The peak in 2006 can be traced to an increase of 262 percent between the months of February and March. Even after removing this outlier, the average monthly growth for weapons and ammunition remains at almost 8 percent. Granted, weapons and ammunition do not encompass the entire Turkish defense industry, but this portion of the defense industry is growing more quickly than the rest of Turkish manufacturing.

Both revenue and industrial production figures show that the growth of the defense industry in Turkey has outpaced that of other Turkish industries in the past decade. However, this growth has come at a high cost for several defense stakeholders in Turkey. The restrictive nature of Turkish procurement policy leads to higher costs for the Turkish taxpayer. By limiting the market to those willing to accept licensing and knowledge transfers, Turkey’s restrictive policy leads to higher prices due to decreased competition. Furthermore, Turkish indigenous production and co-production — both favored by the SSM — are often haunted by delays (especially for more complicated systems). Delays translate into higher costs for the Turkish taxpayers, operational difficulties for the TAF, and the need for interim purchases to compensate for such delays.

Turkey’s major indigenous defense procurement programs, its first trainer aircraft (HURKUS), its attack helicopters (ATAK), and its main battle tank (ATLAY), have all faced major delays that have led to interim purchases. In the case of HURKUS, the SSM had to enter into a concurrent deal with Korea Aerospace Industries (KAI) for 57 basic trainers in order to fill the air force’s need for trainer aircraft. Due to more than ten years of delays (Bekdil 2007, pp. 1–2), the SSM signed a contract to procure Cobra Whiskey helicopters from Italian manufacturer Italeri. (Bayar, p. 1) Delays on the ATLAY main battle tank project, which can be traced back to 1996 (“Turkey’s Potential . . .”, p. 1), prompted two interim battle tank modernization programs (M-60 and Leopard 1). A Leopard 2 modernization program may also be required to compensate for ATLAY’s delays. (Bayar, p. 2) Each of these delays and interim

Figure 2
Average Growth of Industrial Production Index Disaggregated

Source: Turkish Technical Institute.
purchases has led to costs that were not initially budgeted for and have created inefficiencies in the system.

There are experts in the field who believe Turkey is embarking on unrealistic defense procurement projects. They argue that by reaching too far beyond its capabilities, the SSM is causing the aforementioned delays. Turkish defense journalist Burak Bekdil has published articles in which he criticizes the SSM for being too optimistic when it comes to indigenous production programs and accuses it of incurring unnecessary costs. We need not read past the titles — “Why Turkish Efforts for ‘Indigenous Development’ Are Too Ambitious” and “How Not to Buy Weapons Systems” — to note how far-fetched he believes the Turkish procurement policies are.

Jurgen Brauer warns that a nation on the path to becoming a tier-two producer may be “overreaching” by trying to tackle an array of projects that are too wide or too sophisticated. This exposes the procurement process to higher risks and the possibility of failure. (Brauer, pp. 105, 108) He points out that to gain economic advantage from import substitution, countries must focus on products related to their existing infrastructure. (Brauer, p. 108) In other words, he suggests that countries should reach for the lowest hanging fruit, which is determined by the industries that already thrive in the region. Turkey has a thriving automobile industry and produces an indigenous amphibious vehicle platform, Otokar’s Cobra 4X4, which is exported to a few countries around the globe. (Sünnetci, p. 104) This may be an area in which Turkey possesses a competitive advantage that will allow it to reap economic benefits through import substitution and exports.

The French Experience: Lessons to be Learned

Turkey is not alone in facing delays and cost overruns in the defense acquisition arena. In fact, cost overruns and delays occur worldwide and have been worsened by budget decreases. However, as evidenced by France’s procurement reform in the early 1990s, methods to prevent them do exist. (Kapstein and Oudot, p. 1) Below I describe how the shortcomings of the Turkish procurement policy and defense industry might be remedied by adopting the French experience.

Today France’s average defense procurement cost overrun is in the five to ten percent range whereas the U.S. averages 26 percent. (Kapstein and Oudot, p. 2) Explaining how France has managed to obtain better outcomes, Kapstein and Oudot cite France’s use of hard budget constraints on defense purchases, the country’s use of a “responsibility principle” in its contracts, and the technical capabilities of its procurement agency. (Kapstein and Oudot, pp. 1, 13) Hard budget constraints entail cutting projects that go over budget. It shatters the notion that if a project goes under budget, its surplus can be used to cover a project that goes over budget. (Kapstein and Oudot, p. 9) Contracts can be renegotiated if unexpected costs arise, but hard budget constraints give project managers the incentive to be tougher with their counterparts in the industry.

The “responsibility principle” addresses the need to provide the right incentives for both the procurement agents and the defense firms they work with in order to maximize the benefit obtained from procurements while constrained to a country’s limited resources. Gardener and Moffat point out this incentive problem in their description of what they refer to as the “conspiracy of optimism.” (Gardener and Moffat, p. 225) According to their theory, decision makers in defense acquisition have incentives to overestimate benefits from large projects and underestimate their costs in the early stages of the development of a weapon system, leading unavoidably to cost overruns. Using quantitative game theory analysis, they have identified uncertainty regarding project outcomes as a major determinant of these estimation errors. (Gardener and Moffat, pp. 229–30) Both the acquisition agency and the industry perceive a benefit from being unrealistically optimistic in projects with high uncertainty due to lack of accountability. They attribute many of the cost overruns and delays that plague defense procurement to these systemic incentives. The French, however, have managed to minimize the effects of this problem using

1For more information on Turkey’s automobile industry see “Turkey’s Automotive Industry: Driven to Grow” by CJ Berzin in this issue.
the “responsibility principle.” As described by Kapstein and Oudot, the responsibility principle refers to the restructuring of incentives through the use of contractual design. Well-designed contracts establish accountability for delays and cost overruns. (Kapstein and Oudot, p. 13) A country can establish accountability by designing and strictly enforcing contracts with two important features: more accurate estimates of the project’s costs and outcomes, and consequences for delays and poor performance. These changes should be particularly effective for uncertain projects. An example could be Turkey’s first main battle tank project (ATLAV) because it is the country’s first attempt at building that particular system.

However, a country will not be able to establish appropriate hard budget constraints or create and enforce strict contracts if it lacks human capital and technical capabilities within its acquisitions agency. With over 200 ongoing projects and the number increasing every year, Mr. Necati Subasi, defense expert at the SSM, foresees that the procurement agency will have to grow in the near future. (Subasi, p. 17) If the SSM begins to hire aggressively, it has the opportunity to focus on the type of talent that has allowed France to minimize overruns in its defense procurement over the past two decades.

Kapstein and Oudot maintain that one of the main catalysts for French success in this area is the “cozy but correct” relationship between the French procurement agency (DGA) and its industry counterparts. (Kapstein and Oudot, p. 11) They claim that the relationship exists because many defense procurement officials have worked “on the floor” for defense manufacturers before being hired by the state; they have long-standing relationships with the firms they work with and understand their processes. Because Turkey conducts procurement programs with many companies across the globe and focuses on cooperation and knowledge transfers, the qualities of its employees should be focused around skills and knowledge that would facilitate these activities.

A second strength of French procurement employees is their high level of technical proficiency which is achieved in two ways. First, the French procurement agency has historically not only managed procurement, but has also directly conducted research and development (R&D). Second, the DGA, considered to be a very prestigious agency by French engineers, is capable of attracting people from the best French universities or “grandes ecoles.” (Kapstein and Oudot, p. 10) With the right talent, a procurement agency can understand the technical intricacies needed to develop each specific weapons system, resulting in better contract design and more effective project management and contract enforcement.

**Defense Trends in the European Union: Looking toward the Future**

Changes in the defense industry in Europe are being shaped by the response of the increasingly bureaucratic intergovernmental agencies that affect the policies of the countries in the EU. These changes will have a direct impact on the economic environment the SSM operates under and should play a role on the evolution of its policy. It is imperative for the continued growth of the Turkish defense industry that the SSM not only adapt to these changes when they happen, but proactively anticipate them, placing Turkey in a position that facilitates growth.

Today, the intergovernmental agencies that are leading efforts in European defense policy are the European Defense Agency and the European Commission. Although it is not clear which of the two agencies will decide future European policies, Dr. Jocelyn Mawdsley, professor at Newcastle University and expert in European and defense policy, argues that increased intergovernmental defense procurement regulation in the EU will lead to decreased manufacturing of weapons systems within smaller European states. Foreseeable changes include lower domestic protectionism, increased competition within the industry, firm consolidation and interdependence, and industry development around so-called European “centers of excellence.” (Mawdsley, pp. 378, 381)

Jocelyn Mawdsley predicts that decision making in the defense arena will be influenced by commercial factors as opposed to political factors, and that the production of the most complex weapons systems will occur on a cooperative, transnational basis. (Mawdsley, pp. 381–82) If these predictions hold, even
Jurgen Brauer's current first-tier producers will become second-tier producers. Evidence that this is beginning to happen in the aerospace arena can be seen in the Lockheed-Martin-led Joint Strike Fighter (JSF) being developed and produced by several Western allies including Turkey, which is in charge of approximately three percent of production. (Subasi, p. 26) Such cooperation allows countries not only to share resources by manufacturing these systems modularly, but also increases their ability to sell the systems in foreign markets to alleviate the problem of lower domestic demand. The EU is leading a similar project, the joint production of the A400M transport aircraft (Mawdsley p. 373), in which Turkey also has a role. (Subasi, p. 28)

When weapons systems become so complex and expensive to manufacture that nations must team up to distribute the workload and the cost, only industries with the greatest competitive advantages and the highest technical infrastructure will be capable of adding value to the manufacturing process. Smaller European defense manufacturers that have survived until now on offsets and domestic protection policies will cease to exist due to anti-protectionist European intergovernmental efforts. Turkey's relatively large demand for foreign weapons will continue to attract the attention of global defense manufacturers even though it is not part of the EU. Turkey should be able to play a large role in manufacturing large European weapon systems if the SSM focuses on the domestic industry's core competencies and infrastructure. Finding its place in this new supply chain may not only provide the Turkish defense industry with large contracts but will ensure that the TAF are equipped with the best equipment in the world for their delicate missions.

Conclusion

After the Western arms embargoes of the 1970s, Turkey embarked on the goal of achieving complete independence in the defense procurement arena. For decades it consistently applied the strategies of preferential treatment of domestic firms, staunch demands for knowledge transfers, and offset agreements, all of which have led to high growth in the defense arena. Yet recent trends in the world’s political and commercial environment, specifically within the defense arena, make the goal of complete independence inappropriate and impractical.

The threat of another Western arms embargo against Turkey, even in high stress situations like those unfolding with Israel, is highly unlikely. Furthermore, even Jurgen Brauer's first-tier producers are beginning to act like second-tier producers due to the commercialization and depolitization of defense procurement decisions. Turkey does not need to, nor will it be able to, become completely independent as a defense manufacturer. It must find its place in the new European defense supply chain and maximize its role within it.

Turkey's defense procurement agency needs a modified overarching goal that promotes the growth of the country's defense industry without sacrificing the TAF with delays and Turkish taxpayers with higher costs. This new goal should be pursued using a new set of priorities in the SSM's procurement policy, inspired by the French experience but tailored to the situation in Turkey. Primarily, the SSM must focus on hiring experts with experience in both transnational defense manufacturing and technical expertise to handle its growing number of projects. It should design hard budget contracts that maximize commercial value and accountability to control costs and delays. Finally, it should encourage international competition and transnational collaboration in its defense bids to focus the Turkish industry into areas where it can truly excel. These priorities will not only insure that Turkey's defense industry continues to grow at a rapid pace, but also that it grows in the areas in which Turkey has a competitive advantage, preparing it for a more competitive, global future.
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