

## **A. INTRODUCTION/EXECUTIVE SUMMARY**

In this report; the economic aspect of the huge crackdown in Turkey at aftermath of the failed coup attempt on 15<sup>th</sup> July 2016 will be elaborated. Close to 1 million people faced interrogation and further arrest and detentions as a consequence of the totally out of law decoration of Gülen Movement as a “terrorist organization”. Contrary to all legal norms existing, any link to Movement, such as supporting a charity organization or having kids attend to a Gülen Movement affiliated school that is functioning under State Supervision or even subscription to a daily newspaper or downloading an application to phone, have been considered evidences of membership to the terrorist organization.

Lawlessness has reached to such a point that without any due process not only people have been jailed but also all their personal assets have been either frozen or confiscated just due to their links to the Gulen Movement. Turkish Government prefers to use the numbers related to companies confiscated that officially appear as around 8.8 billion euros, but in reality the personal assets and belongings of individuals is estimated to be more than five times of this economic figures as big as 50 billion dollars.

Turkish Government has started confiscating the assets of opposition as early as September 2015, when the police raided and confiscated KOZA Group Holding including a private media center in Istanbul due to a court decision for financially supporting terrorism, herein referring to the support of Group to the Gülen Movement facilities. Indeed, the first and incomplete decision to decorate Gülen Movement as a terrorist organization came as late as May 2016 but the charges and confiscations for financing terrorism started 2 years before this decision showing how far Turkish judiciary has been from impartiality and independence.

The raid and confiscation of another media group; Zaman Media, in March 2016 came also before the coup attempt. The shareholders of Zaman Media Group, faced great pressure and all their assets have been also confiscated just after the coup attempt 15<sup>th</sup> July 2016.

There have been also confiscation and freezing of personal assets of individuals during the same period with accusations of being a member of terrorist organization etc. in different parts of the country.

Confiscation of wealth and issuing economic fines and isolation to opposition has reached to its sky limits just following the 15<sup>th</sup> July Coup attempt and has been widely used without even the necessity for court order. The report supplies both the methods used on businesspeople and individual examples who faced the outcomes of this purge.

## **B. 15<sup>th</sup> July 2016 Failed Coup Attempt and Massive Purge**

Regardless of the condemnation of the “coup attempt” 2 hours after the start of the “coup” by Fethullah Gulen himself via social media and requests for an international observers to investigate the coup attempt or to have the courts live on TV to define who is responsible for the coup attempt by the Gülen Movement, Erdogan Regime declared Gülen Movement as responsible only 2 hours after the start of the coup attempt.

This date has been a milestone of a start of a “pogrom alike” violent looting of Gülen Movement related public places such as bookshops, schools and hospitals. Only 5 days after the coup attempt, the State of Emergency Decree closed more than 2000 associations and confiscated all their assets, including business organizations, mainly all member organizations of TUSKON (Confederation of Businessmen and Industrialists of Turkey) and also charity foundations such as KIMSE YOK MU. This decree has also confiscated and nationalized 18 private universities, more than 1000 private schools, thousands of student dormitories.

Beyond these public assets of the organizations related to the Gülen Movement, the decrees, according to the official numbers, confiscated 1024 middle and upper big size companies employing as many as 200 thousand employees in total, worth officially estimated around 8.8 billion euros. Whereas, Mr. Akin İpek, the chairperson of one of the confiscated holdings, Koza Group, declares that the net value of the group is over 10 billion dollars, showing us that the value of the confiscated companies are way beyond the officially declared numbers.

### **C. Functioning of Confiscations**

With the declaration of “Emergency State” in Turkey on 21<sup>st</sup> July 2019, thousands of companies, institutions and assets have been confiscated and given under the authority of TMSF (Savings Deposit Insurance Fund of Turkey). Later with different emergency decrees and court decisions depending on these emergency decrees, thousands of private companies have also been either appointed trustees by TMSF or nationalized.

The trustees have been made immune of their decisions while running these companies also through an Emergency Decree so that malfunctions and corruptions under their management cannot be taken to court by anyone. Trustees can and have decided for liquidation of companies’ assets in many cases and fired important personnel and hired their relatives or political figures’ with very high salaries to these companies.

### **D. Other Financial and Economic Sanctions**

Beyond these 1024 companies confiscated more than 50 thousand companies and individuals with accusations of being a participant of Gülen Movement have faced economical sanctions starting from 2014 and turning into a heavy siege after the failed coup attempt.

1. Starting from mid-2014, state financial audit units have almost monthly investigated Gülen Movement related companies and institutions, fining them with every single irregularity very heavily.
2. Companies related to the Gülen Movement participants have been pushed away from any State Bid. The credits let by KOSGEB and other state bodies to SME’s have been called back and furthermore companies’ have been refused to be issued their deserved licenses for functions that needs licensing such as construction, populating the newly constructed buildings, oil stations etc.

3. Since mid-2014, many companies are rejected to have their VAT – returns for their exports but forced to pay VAT's by Tax Authority without any explanations. This results in double taxation for those companies.
4. Banks have been issued lists of companies and individuals by government authorities after 2015 and threatened not to work with those individuals. This resulted in banks calling back credits and refusing to give any new credits to these companies and individuals. Banks have severely applied bans on individuals after the coup attempt.
5. Similar lists have been sent to insurance companies so that these companies have stopped issuing/selling insurances for the listed companies resulting in loss of great amount of business that insurance is compulsory.
6. Government authorities, such as governors and police chiefs of the cities personally visited and threatened the businesspeople close to Gülen Movement. Such visits were also paid to companies that are customers or suppliers of these companies to have them not to work with them.
7. Investments of Gülen Movement participants outside of Turkey have been a target of Turkish embassies at those countries. The local governments have been given documents declaring these individuals as terrorists and the assets and investments in those countries as assets to be given to Turkish government. The company shares, assets and real estates in Turkey of targeted businesspeople living outside of Turkey have been either frozen or confiscated and nationalized. Moreover companies in Turkey exporting to these companies have been threatened not to do business with these countries.
8. Passports of more than 500 thousand people have been cancelled. Causing terrible human rights problems in Turkey and elsewhere, these cancellations have also caused businesspeople that are outside of Turkey impossible to travel and do their businesses.
9. The confiscated companies have been used to pump in money to pro-government media outlets through high amount of advertisements. Even some companies have borrowed loans from banks to pay to media advertisements.
10. Due to acclaimed crimes to individuals, their family members' (parents, wife/husband, son/daughter and brother/sisters) assets have been frozen and sometimes confiscated.
11. Some courts have decided to return the companies to its owners after 2 years. When owners check these companies they witness hundreds of irregularities and huge amount of unpaid taxes and unpaid debts to suppliers. The trustee board while not paying the taxes through the companies as they should, also had the taxes be paid through the personal assets of the owners through confiscation of personal assets. As the trustee board members have been made immune of their actions, most of the confiscated companies have been torn apart through huge amounts of corruption. Almost all valuable assets including the machineries and luxury cars owned by the companies put on sale by trustee boards. Thus, many of the owners of these companies are rejecting to receive back their companies under these conditions.
12. Almost all social rights of the accused people have been revoked. Meaning, the pensions are not being paid, they cannot use healthcare system as an ordinary citizen and they cannot receive any sort of "financial social support" of government or local authorities.

13. All the donations, sponsorships and membership fees to most wide-spread business organization TUSKON (Confederation of Businessmen and Industrialists of Turkey) and all affiliated organizations have been considered as evidences of financial support to terrorism for TUSKON members. Indeed, TUSKON has been officially declared as “public benefit association” so that businesspeople would deduct the payments they make to TUSKON from their taxes till TUSKON was closed down by Emergency Decree on 21<sup>st</sup> July 2016.

### **Examples of Corporates Facing Massive Purge in Turkey**

At this report we would like to share with you 6 examples of companies that faced massive economic and social purge. Three of these companies, KOZA Group, BOYDAK Group and NAKSAN Group are public entities so that we have used the public information for these companies. The other three examples are indeed exemplar voices of thousands of individuals whom have faced repression and lost all their valuables and could not bring the issue to the attention of international stake holders. We have received their personal testimonies to be shared at this report.

**BOYDAK Group**, has been the biggest multi-layer industrial family company in Central Anatolia with a yearly turnover around 2 billion dollars, employing more than 13thousand directly and more than 20thousand indirectly through its retail furniture businesses. All the family members of Boydak Family, whether or not actively engaged in businesses, have been imprisoned for the last 3 years and all their assets have been confiscated and many have been sold and nationalized. Several corruption scandals of trustee board members have been published at papers.

**KOZA IPEK Group**, has been the fastest developing family company in Turkey with yearly net profits over 400 million dollars. İpek Family members have been under attack since September 2015 when Mr. İpek had to escape to UK when his media companies were busted by police live on TV. All shares, assets and private entities of İpek Family including a private university of their family foundation, have been confiscated and small shareholder of the company Mr. Tekin İpek is being hold in prison for the last 3 years. Mr. Akın İpek applied to several international mechanisms for compensation of his companies that he declares as valuing more than 10 billion dollars.

**NAKSAN Group**, is one of the biggest and oldest industrial groups in South East Turkey mainly in packaging industry with a yearly turnover around 1 billion dollars. The shares and assets of the companies and also personal assets of Nakiboglu Family have been all confiscated. The family members who were in Turkey had also been arrested and most of them are staying in prison since.

**Example A.O:** A.O<sup>i</sup> who is living outside of Turkey since 2015, is owner of two medium size companies from a mid-size Turkish city. He has been exporting yearly around 20 million dollars of neighboring countries and also actively engaged in construction business in a neighbor country. Just after the coup attempt, all his assets and investments at the neighbor country has been target for Turkish government and he had to leave his investments and this country due to pressure from Ankara to this country.

Besides, all his and his wife's shares and assets at his companies in Turkey have been frozen and his company has been run by an appointed trustee board for 3 years. His wife who stayed in Turkey has been taken under detention for financial support to terrorism to force A.O to return to Turkey.

**EXAMPLE U.U:** UU<sup>ii</sup> is an industrialist at a small town in Turkey. He has felt the pressure on his companies in 2015 when he faced irregular controls from different state institutions to his factories and companies. He says his company came clean from all controls and he has been thanked by authorities. Later, even though his production in Turkey is vital to many government projects, his requests to join any state bid have been refused by government and local authorities.

After the coup attempt, he barely made it out of Turkey but his 2 factories and company has been appointed trustee. All the workers have been fired from the factories and their right to compensation has been denied by the trustee board. All his and his family members' assets, many real estate and land, have been frozen. His wife has been arrested and stayed in prison for almost a year as she was given authority to sign in her husband's name for his assets and shares.

**Example R.Y :** R.Y<sup>iii</sup> is active in different sectors including construction and agriculture. After 15<sup>th</sup> July 2016, all his companies have been appointed trustees and all his and his family's assets, both financial and real estate-wise, have been frozen and many have been nationalized and have been transferred to Treasury. His two sisters faced criminal charges and lost their state jobs due to their relation to him and his father faced criminal charges with the same accusations.

Starting from mid-2014 his companies faced non-stop tax and otherwise controls. The customers and suppliers of his companies have been called by different local authorities and threatened not to do business with his companies. The local and government institutions stopped all the ongoing projects with his companies and further refused to pay deserved rights of his companies.

As much as he can follow from outside resources, he noticed that there is a wide range of liquidation and corruption in running of his companies by the trustee boards especially at the sales of his construction sides (for less than one fifth of value to a pro-government businessperson) and vital machineries of his construction companies (for less than half of the value).

### **Conclusion and Recommendations**

The purge after 15th July 2016 had its massive impact on more than 1 million people through interrogations, investigations and detentions but it also had a devastating effect on Turkish economy.

More or less 50 billion dollars-worth assets have been forcefully taken from individuals and given under the authority of civil servants close to governing party and these assets have been mainly distributed to pro-government people as "loots".

Companies that have been functioning as the growth engines of developing cities of Turkey has been torn apart and resulted in a huge loss of employment and competitiveness in many sectors. Loss of economic functionality is still having its consequences on the Turkish economy so that Turkish lira depreciated more than %100 in the last 4 years.

1. Turkey needs to be warned to respect international human rights obligations and right to property for all.
2. UN needs to urge international economic and legal bodies to take necessary steps to force Turkey to compensate the economic losses of individuals due to extreme measures.
3. Human rights related institutions and UN related bodies needs to react on individual cases and make exemplar decisions on cases.

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<sup>i</sup> AO decided to hide his identity as he is afraid for his family members in Turkey. He is ready to make his personal testimony to international organizations that will respect his privacy.

<sup>ii</sup> UU wanted to hide his identity as he is afraid for his family members in Turkey. He is ready to make his personal testimony to international organizations that will respect his privacy.

<sup>iii</sup> RY wanted to hide his identity as he is afraid for his family members in Turkey. He is ready to make his personal testimony to international organizations that will respect his privacy.