Turkey’s conflict with the Kurdistan Workers’ Party (PKK) has had a deeply negative effect on the regions most affected by the violence. But what has the overall economic cost been to Turkey as a whole? Fırat Bilgel and Burhan Can Karahasan present the key factors that have underpinned the issue and calculate that Turkish GDP could have been 14 per cent higher in the absence of the conflict. This is particularly important when the role of underdevelopment and poverty is considered in the perpetuation of violence.

Turkey has been suffering from separatist terrorism, in the shape of the Kurdistan Workers’ Party (PKK), since the mid-1980s. Between 1988 and 2015, it is estimated that 4,300 civilians and 6,850 security force members and military personnel were killed by PKK terrorist activities.

The impact of the conflict spreads beyond the physical and non-physical borders of eastern and southeastern Turkey, where PKK terrorism reigns. The direct impact of the conflict has been a sharp fall in economic activity for these regions. However, other dynamics such as the loss of some members of the active population due to military conscription, rising uncertainty that affects the financial picture and the real economy, sectoral ramifications for manufacturing and tourism due to rising uncertainty, and security problems have all impacted on Turkey’s economy.

Considering these various factors, it is reasonable to state that the economic costs of separatist terrorism spread beyond the borders of eastern Turkey. While according to some estimates the region could have enjoyed around 7 per cent higher GDP per capita without this terrorism, Turkey as a nation could have experienced a 14 per cent higher GDP per capita, which translates into an increase in per capita income of $1,600.

Underdevelopment and Conflict
An underlying element in the PKK conflict is the level of underdevelopment in the area most affected. Almost 80 per cent of all incidents occur in eastern and southeastern Turkey. Given that these regions have an income level nearly half of the rest of Turkey, a two-way causation between prosperity and uncertainty is plausible.

Unlike other examples, such as ETA in Spain, there is a vicious circle between development and conflict; regions that were heavily exposed to PKK activities are historically less developed, deindustrialised, politically fragmented, less educated and economically isolated from the rest of the country, suggesting that underdevelopment is a source of the emergence of PKK terrorism. Given its additional detrimental effects caused by terrorism, this cyclic pattern makes the PKK conflict both the cause and the consequence of the entire process.

Another notable dimension of the PKK conflict is its continuum and locality. Although a sustainable peace has remained out of reach, several cease-fire attempts have ended up with the re-emergence of terrorism, followed by a sharp fall in the number of incidents and fatalities. None of the cease-fire attempts were successful in addressing the economic impact of the conflict, but they were nevertheless sufficient to establish a positive impact on society.

The last truce, which began in 2009, was one of the most inclusive in this sense. The so-called “Solution Process” started as a set of negotiations between the ruling AKP government and the Kurdish HDP party, with the inclusion of the Turkish Intelligence Agency. This process embraced different segments of society including politicians, government members, academics, non-governmental organizations, and artists among others. Yet, it was criticised by the main opposition party in Turkey, the CHP, on the grounds that the negotiation process was not transparent enough and did not legally get the approval of the country’s parliament.

Nevertheless, the process succeeded in a sudden halt of incidents and fatalities. As the Turkish state and the government started to acknowledge the ethnic, cultural, and legal rights of its Kurdish population, both parties taking a lead on the conflict (the AKP and HDP) became more eager to settle for a long term and eventually permanent cease-fire. However, this optimistic environment came to an end once more with an outbreak of incidents after the parliamentary elections in June 2015, where the HDP had managed to pass the 10% electoral threshold required to be represented in parliament. Thus, the PKK conflict retained its hold on Turkish history.

But the reemergence of PKK terrorism since 2015 has also been ‘sharper’ and ‘more drastic’ in a number of senses. Contrary to the pattern of previous attacks, which had been confined largely to rural areas, this latest upturn in violence had a particularly large impact on residential urban areas in eastern Turkey. The lasting impact of the return of PKK terrorism is difficult to quantify, but the implementation of Special Security Areas and an indefinite curfew has resulted in forced migration and a sharp fall in economic activity for the region. These are the early signals for the negative socio-economic consequences of the conflict.

**Breaking the deadlock**

Given all of these elements, how can we quantify the actual costs to Turkey from the conflict? To do this, we have assessed two hypothetical scenarios relating to first, a synthetic Eastern and Southeastern Anatolia, and second, a synthetic Turkey, which would have existed had the country not been exposed to PKK terrorism. In both cases we use regions or countries that have never been exposed to separatist terrorism to reproduce Turkey’s GDP trajectory before the outbreak of terrorism.

From a regional perspective, the central concern in the measurement of the economic impact of conflict on the eastern and southeastern Anatolia of Turkey is that PKK terrorism harms the regional economic environment with most of the impact being localised within historically less-developed regions. On average, it can be shown that eastern Turkey would have enjoyed a 6.6 per cent higher per capita GDP in the absence of PKK terrorism.

While the costs are significant, the negative impact of PKK terrorism may well reach beyond eastern Turkey. Even though PKK terrorism is local in its operational nature, a macroeconomic impact might still be present, which would lead us to underestimate the true economic cost of separatist terrorism. In fact, the national cost of PKK terrorism is
much higher compared to its regional counterpart: we find that Turkish GDP would have been higher by 14 per cent in the absence of terrorism, which translates into a 0.62 per cent higher annual income growth for Turkey.

The regional as well as the national costs of the PKK conflict are tremendous. Still, these counterfactual cases represent the minimum costs and other external and positive economic developments will eventually evolve to accumulate the positive outcomes from establishing a peace. A full solution to the PKK conflict and its reflection on ethnicity-based disputes in Turkey will also assist in negotiation rounds with the European Union, where among other factors, legislative and operational matters on ethnic minority rights still act as a blockage preventing the establishment of closer relations between Turkey and the EU.

For more information, read the authors’ LSE ‘Europe in Question’ discussion paper on the topic

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Note: This article gives the views of the authors, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

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