Gradual Privatisation in Turkey and Slovenia: Under what conditions could gradual privatisation accelerate and under which conditions could it not?

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Abstract

The privatisation programs in Turkey and Slovenia have experienced gradual progress for more than two decades. This occurred despite the international pressure and certain governments' commitment to accelerating privatisation programs in both countries. Nonetheless, while Turkey expedited its privatisation program after 21 years, gradualism in Slovenia has been persisting. This thesis examines the factors that led to this puzzling outcome by using the theories of social constructivism and historical institutionalism. The analyses and the results, both of which have been reached through the process-tracing and the document-analysis methodologies, indicate that the social constructivist theory has more explanatory value. The incumbent Turkish governments' successful socialisation with the privatisation norm and the absence of privatisation-related domestic reputational costs for this government accelerated the privatisation program. However, in Slovenia, both the unsocialised governments rejecting the privatisation norm and the domestic reputational costs emerging due to privatisation for these governments hindered the acceleration of privatisation.

Keywords: Privatisation, Turkey, Slovenia, Gradualism, Acceleration.

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Abbreviations

AKP:	Adalet ve Kalkınma Partisi (Justice and Development Party)
ANAP:	Anavatan Partisi (Motherland Party)
CEE:	Central and Eastern Europe
CHP:	Cumhuriyet Halk Partisi (Republican People's Party)
CM:	Causal Mechanism
DeSUS:	Demokratična stranka upokojencev Slovenije (Democratic Party of Pensioners of Slovenia)
DL:	Državljanska lista (Citizens' List)
DSP:	Demokratik Sol Parti (Democratic Left Party)
DYP:	Doğru Yol Partisi (True Path Party)
EC:	European Community
EMU:	Economic and Monetary Union
EU:	European Union
FP:	Fazilet Partisi (Virtue Party)
IMF:	International Monetary Fund
IO:	International Organisation
IR:	International Relations
ISI:	Import Substitution Industrialization
LDS:	Liberalna Demokracija Slovenije (Liberal Democracy of Slovenia)
MHP:	Milliyetçi Hareket Partisi (Nationalist Movement Party)
NATO:	North Atlantic Treaty Organisation
NSi:	Nova Slovenija - Krščanska ljudska stranka (New Slovenia – Christian People's Party)
OECD:	Organisation for Economic Co-operation and Development
PS:	Pozitivna Slovenija (Positive Slovenia)
RP:	Refah Partisi (Welfare Party)
SD:	Socialni Demokrati (Social Democrats)
SLS:	Slovenska Ljudska Stranka (Slovenian's People Party)
SMC:	Stranka Modernega Centra (Party of Modern Centre)
U.S:	United States
USSR:	Union of Soviet Socialist Republics
ZLSD:	Zdruzena Lista Socialnih Demokratov (United List of Social Democrats)

Chapter 1: Introduction

Neoliberalism has been the prevailing ideology informing economic policies and the organisation of capital markets since the 1980s in most parts of the world (Harvey, 2005). Steger and Roy (2010) enucleate the features of neoliberalism within three categories: D-L-P, short for deregulation-liberation-privatisation, including (i) market deregulation, (ii) trade and industry liberalization, and (iii) state enterprises' privatisation. The privatisation of state enterprises has been one of the prominent strategies of neoliberal oriented governments that sought to free markets from government interventions (Özata, 2013, p.128).

Acts of privatisation began either in the 1980s or in the 1990s, varying across countries and regions in the world. The earliest privatisation actions were implemented in the United Kingdom and Chile in the early 1980s, but soon after were imitated by many developing and industrialised countries (Perotti & Oijen, 1999, p. 1). Privatisation practices in developing and industrialized countries differ substantially from each other. According to the World Bank, privatisation programs are most likely to be hindered in developing countries (Boubakri *et al.*, 1998, p.1). However, many privatisation programs were nonetheless finalised in developing countries over time. From 1988 to 1999, privatisation transactions in the developing countries made up approximately 230 billion US $ (Estrin & Pelletier, 2015, p.10). In the subsequent nine years (2000-2008), developing countries' privatisation transactions amounted to roughly 470 billion US $ (Estrin *et al.*, 2015, p.10). In regional terms, a major part of privatisation was accomplished in 1990s in Latin America, while other developing regions lagged behind (Estrin *et al.*, 2015, p.10). In Central and Eastern Europe, Central Asia, East Asia, South Asia, Middle East, North Africa and sub-Saharan Africa, privatisations were delayed to the first decade of the 21st century (Estrin *et al.*, 2015, p.10).

In the two developing countries, Turkey and Slovenia, the privatisation of state enterprises and assets was stalled over a long-period (Öniş, 2011; Mencinger, 2006; European Commission, 2003; European Commission, 2016). These two countries were not particularly late in initiating privatisation policies. Turkey began to pursue privatisation policies in 1984: Law No. 2983 permitted the sale of state enterprises and assets (Hiç *et al.*, 2009, p.121). In Slovenia, the law on privatisation (Law on Transformation of ownership of companies) was enacted in 1992, which allowed for the sale of state enterprises and assets (Coronna *et al.*, 1993, p.272; World Bank, 1999, p.86; Mencinger, 2006, p.69). After privatisation acquired legal status in both countries, certain Turkish and certain Slovenian governments were committed to privatisation program (World Bank, 1999, p.27 & p.28; Öniş, 2011; Hic, 2009, p.121; Mencinger, 2006; ECFIN, 2013, p.2 & p.8; European Commission, 2016, p.28). These governments put the privatisation on their agenda and aimed to transfer the ownership of state enterprises and assets to private owners. Moreover, all the Turkish and Slovenian governments, regardless of their aim to implement privatisation or not, experienced international pressure to accelerate

privatisation (IMF, 1994, p.77; European Commission, 1999b, p.32 & p.46; European Commission, 2002a, p.31; European Commission, 2002b, p.60; European Commission, 2018a, p.25 & p.28). International and supranational organisations continuously criticised the gradualism in privatisation in both countries and emphasised the necessity for acceleration. However, for more than two decades, neither certain governments' aim to carry out privatisation nor the international pressure could accelerate privatisation in Turkey and Slovenia. The gradualism in privatisation proceeded in Turkey for 21 years (1984-2004) and has been proceeding in Slovenia for 27 years (1992-2018). Despite the three outstanding commonalities (commitment of certain governments, international pressure on governments, and gradualism for more than two decades), there is a remarkable difference between the Turkish and the Slovenian case: Turkey expedited its privatisation program after 21 years of gradual privatisation in 2005 (Palmer, 2010, p.81) and finalised it in the mid-2010s (Privatisation Administration, 2018a), whereas the privatisation in Slovenia could not be accelerated ever since (European Commission, 1999a; European Commission, 2018a) and the program remains incomplete (European Commission, 2018a, p.2 & p.11). Therefore, this research finds it relevant to ask the following research question that is central to this thesis:

How do the factors that allowed Turkey to accelerate its privatisation program after 21 years contrast with the factors that prevented Slovenia from doing the same for 27 years?

In the literature on privatisation, the pressures of international and supranational organisations recognised as the key determinants of privatisation in developing countries (Şahin, 2010; Bortolotti & Pinotti, 2003; Brune *et al*. 2004; Perotti & Bortolotti, 2005). The studies on the Turkish and Slovenian cases stand in stark contrast to this claim. On the Turkish case, the studies of Öniş (2011), Palmer (2010), Hiç *et al.* (2009), Şahin (2010) and Karataş (2001), from a political economy perspective, prove the inadequacy of international organisations' (IOs) pressures on privatisation for more than two decades. Öniş (2011) is prominent in the literature on privatisation in Turkey. His work focuses on the domestic and foreign factors that characterised the division between pro- and post-2000 privatisation periods in Turkey. Palmer's (2010) research is rather specific, covering mostly the legal factors of gradualism (1984-2004). On the Slovenian privatisation experience, the studies of Mencinger (2006), Stanojević (2014), Guardiancich (2016), and Bohle *et al.* (2007) prove the inadequacy of pressures exercised by the International Monetary Fund (IMF), the World Bank, and the European Union (EU) in halting the gradualism of privatisation program. Mencinger (2006) comprehensively covered the substantial developments that decelerated the privatisation of state enterprises between 1989 and 2006 in Slovenia. Stanojevic's (2014) study was rather recent. He analysed the neoliberal turn in the Slovenian political economy in general, but he particularly mentioned the negative impacts of domestic populism and of the 2008 Financial Crisis on the acceleration of privatisation program.

Although the literature on privatisation in Turkey and Slovenia is rich, the use of theories from International Political Economy or International Relations in the analysis of the two cases is not prevalent among scholars. Bohle and Greskovits' (2007) work is the only example of such theoretical application. Their work uses an institutionalist perspective by adopting Karl Polanyi's Great Transformation theory to investigate the transformation of Slovenia's political-economy. The strength of this theoretical approach is its ability to analyse the compromises and discrepancies (such as privatisation) that have emerged in Slovenia's political-economy as a result of the interaction of international pressure and the past perceptions and legacies in Slovenia (Bohle *et al.*, 2007). Nonetheless, this research narrows down the concept of ''international pressure'' solely to the pressures exercised by the supranational organisation, the EU. The pressures of prominent IOs, such as the IMF, the World Bank, and the Organisation of Economic Cooperation and Development (OECD), that could have affected the transformation of the Slovenian political-economy, and particularly the acceleration of privatisation, were ignored by Bohle and Greskovits (2007). Having identified the lack of theoretical investigation on the privatisation experience of Turkey and Slovenia (except the work of Bohle and Greskovits), this study aims to analyse the privatisation in the two countries by using two theoretical backgrounds: the social constructivism (the norm life cycle theory) and the historical institutionalism. This study also aims to improve on Bohle and Greskovits' (2007) work by including the role of IOs pressures from a broader perspective.

Other than the lack of theoretical investigations on the Turkish and Slovenian cases, the privatisation experiences of both countries have not been scientifically examined in the same research yet. As mentioned above, Turkey managed to accelerate its privatisation program after 21 years of gradualism. This situation occurred despite the commitments of certain governments to the privatisation program and the pressures exercised by international institutions. Even though the conditions of certain governments' commitment and international pressures apply for Slovenia, the gradualism in privatisation is persisting. The difference in the outcome of the two cases, despite the background commonalities, begs for an explanation. Thus, this research aspires to enlighten the factors that gave rise to the difference between the Turkish and Slovenian privatisation experiences from theoretical perspectives.

Besides to the scientific relevance, the privatisation of state enterprises and assets is a socially relevant issue, due to privatisations' possible positive and negative influences over a society's economic well-being. According to ITPI (2016, p.4), privatisation of state enterprises can result in negative outcomes, since it can reduce the wages and labour benefits. These consequently increase the inequality within the society (ITPI, 2016, p.4). In contrast, a World Bank authority Shirley (1992, p.26-28) outlined the benefits of privatisation for the society as the improvement of public resource usage, advancement of economic competition, and the enhancement of investment and innovation. While the debate about the

impacts of privatisation on a society goes beyond the scope of this research, the presence of this debate proves the social relevance of any research on privatisation.

The norm life cycle and the historical institutionalist theories provide theoretical perspectives to this research. They have different explanatory variables, which will be juxtaposed in the manner of answering the research question. In general, both theories deal with behaviour. Hence, both are appropriate for analysing privatisation-related behaviours of and in the Turkish and Slovenian states. In the norm life cycle theory, what forms state behaviours are the ‘‘norms’’ and hence, the norms represent behavioural rules (Finnemore and Sikkink, 1998, p.891). The norms are more open for change relative to the institutions. The ‘‘institutions’’ are the formers of behaviours in the historical institutionalist theory and they rather signify the stable behavioural rules (March & Olsen, 2009, p.5). This diversity in the two theories’ explanatory factors (norms vs institutions) gives ground for complementariness: On the one hand, explaining behavioural changes is one of the central merits of the norm life cycle theory, but the theory is inadequate for enlightening behavioural stabilities. On the other hand, the historical institutionalist theory is insufficient in explaining behavioural changes, whereas it is a powerful theory for elucidating behavioural stabilities. As the strength and the weakness of the two theories are opposite, the weakness of the two theories are remedied in this research.

The methods of process-tracing, and document analysis are used in this qualitative research to produce an explanatory narrative that analyses the privatisation in Turkey and Slovenia. There are primary, secondary, and additional sources to collect evidence. The primary sources are the official documents published internationally and domestically. The international documents are from the EU, the IMF, the World Bank, the OECD, and the EU-located business organisations. These official documents published by IOs (IMF, World Bank, OECD) and supranational organisations (EU) are particularly important because they provide comprehensive overviews of the Turkish and the Slovenian political economies relating to privatisation issues. The domestic documents are published by the Turkish government, the Slovenian government, the Turkish state-owned and privately-owned enterprises, and the Slovenian state-owned and privately-owned enterprises. The secondary sources are research articles, newspaper articles, and journal articles. The newspaper and the journal articles also contain other secondary sources: public speeches and press briefings of the Turkish and the Slovenian government and opposition authorities. Additional evidence is retrieved from the dataset of the World Bank.

There are four additional chapters in this thesis. In the next chapter, the social constructivist theory and the historical institutionalist theory are discussed at great length. Furthermore, hypotheses are formulated on the theoretical framework set by the two theories. Chapter three discusses the methodological approach, introduces the sources for data collection, and operationalises the variables of the hypotheses. Chapter four provides the empirical analysis. The fifth and last chapter presents the conclusion of the research.

Chapter 2: Theory

2.1 Social Constructivism

The social constructivist theory emerged from scholars' adverseness to the ontological base of the prevailing theories within the field of International Relations (IR), most notably during the realism versus liberalism debate in the 1970s and 1980s (Finnemore & Sikkink, 1998). The ontology of prevailing theories was mostly restricted to material capabilities of states in military or economic terms, ignoring the role of ideas, norms, and identities. With the advent of social constructivists after the 1980s such as John Ruggie, Friedrich Kratochwil, and Alexander Wendt, the ontological scope of IR theories broadened. Finnemore and Sikkink (1998, p.888) defined this ontological expansion in the 1980s as an ideational turn. After this turn, the use of ideational and normative assessments for analysing the international politics remarkably increased in the discipline.

According to the social constructivist theory, we live in a social world where the realities, including the realities in international relations, are socially constructed. This ontological understanding of constructivism represents a significant opposition to purely materialistic IR ontologies. The material resources and capabilities, however, are not excluded from that social ontology. They also do not have any solo meanings. Wendt (1995, p.73) argued that material resources can only gain meanings in the actions of humans through the shared knowledge structure. That is to say, shared knowledge of other actors regarding what a given state can do with its material resources gives meaning to these resources. Thus, material resources are embedded in shared knowledge (Wendt, 1995, p.73). Shared knowledge is defined as shared expectations and shared understandings in world politics (Wendt, 1995, p.73). Shared knowledge, material resources, and practices construct the social structure, on which the world politics are based (Wendt, 1995, p.71). Social structures are existing practices like processes that are open for change (Wendt, 1995, p.74). Forming identities, interests, and behaviours belonging to states is another crucial feature of social structures according to Wendt (1995, p.72). Finnemore and Sikkink (1998, p.902) claimed that once a state identity is formed, it subsequently forms state behaviours. Therefore, state behaviours are adapted to state identities, not the other way around. Some behaviours are appropriate for given state identities. The standards of these appropriate behaviours in line with state identities are called ''norms'' in social constructivism (Finnemore *et al.*, 1998, p.891). Norms have functional features in world politics. They can either be modified in the political landscape or they modify the developments in the political landscape (Finnemore *et al.*, 1998, p.885). When speaking of norms modifying power, Finnemore *et al.* (1998) proposed ''the norm life cycle theory'' to explain the power of norms in framing state actions. The theory has three main stages: (i) emergence of norms, (ii) norm cascades, (iii) internalisation.

The norm entrepreneurs' existence is the very first requisite for a norm's emergence. Norm entrepreneurs are the agents, who have a big influence over the community they belong to, and who are the initial promoters and advocators of the norm in a normative arena where there is a compelling competition among many norms (Finnemore *et al.*, 1998, p.896 & p.897). Thanks to their power of influence, norm entrepreneurs can draw attention to the norm they promote. For attracting notice, norm entrepreneurs mainly ''frame'' the norm while making use of a language that is defining, portraying, and boosting the norm (Finnemore *et al.*, 1998, p.897). This framing action serves norm entrepreneurs' central interest; that is, to enhance the number of individuals admitting the norm as a common practice and as a common understanding in the society. For promoting the norm internationally, norm-entrepreneurs must make use of organisational platforms (Finnemore *et al.*, 1998, p.898). In this respect, non-governmental organisations and especially IOs are the useful mechanisms for international norm promotion. In order to transform actors' norm-breaking behaviours into norm-confirming behaviours, IOs utilise professional expertise and professional information they have (Finnemore *et al.*, 1998, p.898). The power of expertise and information is their ability to convince governments ruling the states (Finnemore *et al.*, 1998, p.898). States are usually the main actors that norm-entrepreneurs aim to persuade. If at least one-third of states in the international system are convinced to adopt the new norm and become the norm-leader states, it would imply that the tipping point is reached (Finnemore *et al.*, 1998, p.901). Reaching the tipping point points out that the first stage is completed and transition to the second stage can occur. In other words, now the norm has emerged. From here onwards, the norm can start to cascade. In the second stage, the norm is being faster adopted by more countries relative to the previous stage (Finnemore *et al.*, 1998, p.902). The fundamental mechanism that provides the norm to cascade is the socialisation mechanism. Norm-leader states, IOs, and norm-entrepreneurs endeavour to ''socialise'' new states with the norm (Finnemore *et al.*, 1998, p.902). Socialisation can be perceived as an active process of learning and adopting the norm for new states, and teaching the norm for norm-leaders, IOs, and norm-entrepreneurs. The central purpose of this active process is transforming norm-breaker states into norm followers (Finnemore *et al.*, 1998, p.902). To that end, pressure on norm breakers and support on norm followers are the two main tools of socialisation mechanism. These tools can be further elaborated. Norm follower states can be diplomatically praised and norm breaker states can be diplomatically censured (Finnemore *et al.*, 1998, p.902). This diplomatic strategy can be strengthened by providing material incentives to norm-follower states and by exposing material sanctions to norm-breaker states (Finnemore *et al.*, 1998, p.902). Moreover, by the networks of IOs and norm entrepreneurs, new states can be forced to pursue parallel policies and laws to the norm (Finnemore *et al.*, 1998, p.902). In those networks, new states can be pressured by publicising the collected information regarding norm violations and assistance can be provided to new states for teaching the norm (Finnemore *et al.*, 1998, p.902). These tools of socialisation explain how new states are socialised with the norm. Main impetus for new states to adopt the norm, however, cannot simply be explained by referring to the diplomatic or material tools discussed above. For comprehending the reasons that

function the socialisation mechanism, one should consider the central assumptions of the constructivist theory on international relations. Constructivists assume that states compose an international society in which certain norms are accepted (Finnemore *et al.*, 1998, p.902). By reaching the tipping point in the first stage, the norm became an accepted international norm in the international society or among a subgroup of states in the international society (Finnemore *et al.*, 1998, p.902). For being part of this society or subgroup of this society, new states reflect the international norms that will show their member identities (Finnemore *et al.*, 1998, p.902). At this point, the following question arises: Why is it essential for states to become a member of such groups by adopting the norms? The reasons are attributed to the benefits of following international norms for states. In constructivism, it is assumed that states acquire international legitimation by complying with international norms (Finnemore *et al.*, 1998, p.903). This acquisition subsequently enhances the domestic legitimacy of states in the public opinion (Finnemore *et al.*, 1998, p.903). Another benefit is that harmonising with international norms is presumed to bring esteem and self-esteem to state leaders (Finnemore *et al.*, 1998, p.903). Furthermore, states – like humans – have the need for belonging to a social environment (Finnemore *et al.*, 1998, p.903). Thus, states display conformity by harmonising their internal norms with the norms of the social environment (Finnemore *et al.*, 1998, p.903). In addition to these benefits, new states are convinced by making use of the socialisation mechanism also because the international influence in favour of the norm is becoming powerful in the second stage. The influence of norm-entrepreneurs, states, and organisations related to the norm becomes greater than the influence of domestic politics (Finnemore *et al.*, 1998, p.902). This assertion implies that as long as there is an international influence, the opposition in domestic politics to the norm is negligible. The international influence outpaces domestic politics, and hence, the domestic opposition of norm-breakers tends to collapse during socialisation. On these grounds, the following hypotheses can be derived from the norm cascades stage by recognising privatisation of state enterprises as an international norm:

Hypothesis 1: Privatisation in Slovenia has been gradual and incomplete for more than two decades because the incumbent Slovenian governments have not successfully been socialised with the internationally prevailing norm of privatising public assets and enterprises.

Hypothesis 2: Privatisation in Turkey has been gradual and incomplete for more than two decades but accelerated after 2004 because, after all, the incumbent Turkish government has successfully been socialised with the internationally prevailing norm of privatising public assets and enterprises.

The norm can be internalised by new states in the aftermath of an active socialisation process. The significant difference between the internationalisation stage and the previous stage is that the norm gains a ‘‘taken-for-granted’’ feature (Finnemore *et al.*, 1998, p.904). By this feature, an internalised norm can be automatically conformed in states without being questioned at political level (in the parliament) and

at social level (in the public opinion) (Finnemore *et al.*, 1998, p.904). For this reason, appropriate behaviours for the norm in states would not come across with any domestic resistance hereupon. When a norm is being internalised, professions play an important role as Finnemore *et al*. (1998, p.905) argued. Professions are the persons in IOs who are in charge of training state bureaucrats (Finnemore *et al.*, 1998, p.905). These states are the members of these IOs (Finnemore *et al.*, 1998, p.905). The role of professions is not solely teaching technical knowledge (Finnemore *et al.*, 1998, p.905). Professions can also make the norm valuable in the eyes of state bureaucrats (Finnemore *et al.*, 1998, p.905). Even the normative biases of professions are reflected on state bureaucrats (Finnemore *et al.*, 1998, p.905). The role of professions contributes to the automatic internalisation of the norm. It can be concluded that the internalisation stage is the stage, in which the norm reaches its highest power. This power also stems from the norms' taken-for-granted acceptance. Given the discussion above, the following hypotheses can be formulated on the internalisation stage:

Hypothesis 3: Privatisation in Slovenia has been gradual and incomplete for more than two decades because Slovenia has not successfully internalised the internationally prevailing norm of privatising public assets and enterprises in the political level.

Hypothesis 4: Privatisation in Turkey has been gradual and incomplete for more than two decades but accelerated after 2004 because, after all, Turkey has successfully internalised the internationally prevailing norm of privatising public assets and enterprises in the political level.

The strength of the norm life cycle theory comes from its applicability to a variety of cases as the theory proposes a strong theoretical forecast for a norms' way of global acceptance. In the field of International Relations and International Political Economy, many researchers following Finnemore and Sikkink made use of the norm life cycle theory while studying a case. Krook and True (2010), for example, analysed the life cycles of two global gender equality norms. The authors, however, utilised a discursive approach, which is slightly different than Finnemore and Sikkink's norm life cycle. The discursive approach recognizes the continuity of the norms' evolution after its emergence (Krook *et al.*, 2010, p.103), whereas there is no such recognition in Finnemore and Sikkink's approach – the norm is considered fixed and not subject to a further development or adjustment. According to Krook *et al.* (2010, p.103), one of the main reasons why the norm continues to evolve is that the norm encounters domestic resistance while it is being adopted in states. Domestic resistance hinders the international norm's full adoption in a state. While the international norm is being adopted, the norm is mediated between its initial form and domestic resistance (Krook *et al.*, 2010, p.108). During the mediation, the international norm evolves, and in the end of the mediation, it becomes distinct from its initial form. That is to say, the evolution of the international norm is not over during its life cycle. According to Finnemore and Sikkink (1998), conversely, the norm will not continue to evolve due to any domestic

resistance because the domestic resistance is already overwhelmed by the international influence in the socialisation stage.

Improving on the Krook and True's understanding, in every state, there are state specific domestic resistances to the given international norm. As domestic resistances, and thus domestic mediations vary across states, norms fit to different contexts. Hence, many context-depended varieties of the norm can emerge.

Krook and True were not the only authors who used the norm life cycle theory on the one hand but being critical about the theory on the other hand. Krampf (2013) also used the norm life cycle theory while investigating states' adaptation to market-economy norms. Contrary to Finnemore and Sikkink (1998), Krampf (2013, p.8) emphasized the likelihood of alternative norms' creation in states during the socialisation and internationalisation stages. These alternative norms can be inconsistent with the envisioned norm. Krampf (2013, p.8) attributed this inconsistency to the localisation or translation process of international norms in states while international norms are being socialised and internalised. This process occurs, because the international norms and domestic norms are likely to be in contradiction (Krampf, 2013, p.8).

The relevant criticisms of contemporary researchers discussed above uncover the weaknesses of the norm life cycle theory. Finnemore *et al.* (1998, p.902) developed the claim that, during the socialisation process, the international influence – consists of international pressure groups, states, and organisations – takes the lead over domestic actors while the norm is not adopted yet. Thus, the socialisation process is perceived as a top-down process. While the international influence symbolizes the top, the domestic actors symbolize the down. Along similar lines, the claims of Finnemore and Sikkink (1998, p.893 & p.903) allows the interpretation that the active international influence passivizes the domestic actors while the norm is being socialised. The weakness of the theory arises from this clear-cut active/passive categorisation of international influence and domestic actors. Considering the national sovereignty right of every single state – regardless from whether they are norm leaders or norm followers – over their own territory (United Nations, 1949), it is unlikely to passivize the domestic actors in an issue which takes place in domestic territories. As the localisation/transformation process underlined by Krampf (2013) shows, domestic actors and their resistance to norms are not passivized by international influence with ease in every case, during the socialisation and internalisation stages. The resistance of these non-passivized domestic actors can consequently hinder the adoption of the norm while states are socialized with the norm. On these grounds, the following hypotheses can be formulated:

Hypothesis 5: Privatisation in Slovenia has been gradual and incomplete for more than two decades because international pressure groups, states or organisations could not passivize opposing domestic actors at societal level.

Hypothesis 6: Privatisation in Turkey has been gradual and incomplete for more than two decades but accelerated after 2004 because, after all, international pressure groups, states or organisations could finally passivize opposing domestic actors at societal level.

Constructivists may counter the point in the previous paragraph by referring to the reputational benefits of following international norms for states. As stated previously, states earn esteem as they harmonise with international norms. Thereby, states loose esteem in international politics if they do not follow international norms. In other words, states should deal with international reputational costs in case they become international norm breakers. There seems to be no compelling reason to claim that the international reputational costs are unimportant for states. However, the international reputational costs can compete with the domestic reputational costs. The following example shows in which circumstances domestic reputational costs may arise: Adapting an international norm may contrast with the national or traditional norms and values in the society as several studies illustrate (Risse & Kappen, 1994; Cotell & Davis, 2005; Krampf, 2013). This would cause the loss of the states' reputation in domestic politics. As the reputation of a state declines, the support for the government in the public may subsequently decline. In this case, the declining support for the government in the public is the domestic cost. As a result, the international reputational costs might be counted less costly than the domestic reputational costs. Thus, it would be more likely to expect the state to ignore the international reputational costs and become a norm breaker. Therefore, the following hypotheses can be derived from the above discussion:

Hypothesis 7: Privatisation in Slovenia has been gradual and incomplete for more than two decades because the government decided against privatisation as domestic reputational costs which would have come with privatisation would have exceeded international reputational costs.

Hypothesis 8: Privatisation in Turkey has been gradual and incomplete for more than two decades but accelerated after 2004 because, after all, the government decided in favour of privatisation because the international reputational costs which came with non-privatisation exceeded domestic reputational costs came with privatisation.

As is displayed in the above discussion, domestic politics can have vital importance in such cases. Ignoring the importance of domestic politics and domestic norms weakens the norm life cycle theory. The alternative norm creation approach to the life cycle of a norm issue by Krampf (2013) can resolve this weakness. He assumed that certain states can either deny to adapt or prefer to transform the given international norm. This may happen because international norms go through a localisation process (Krampf, 2013, p.8). Not ignoring the interaction between the domestic and international actors and the norms by inducing the localisation process to the analysis like Krampf (2013), would solve the weakness of the theory.

Acknowledging the role of domestic actors and domestic norms reveals another weakness of the norm life cycle theory. If domestic actors and domestic norms matter, then it is unlikely to expect a taken-for-

granted internalisation process. Rather, the internalisation process would be complex. This complex process would further complicate the output norm and, thus, it will not reflect precisely the intended norm (Krampf, 2013, p.7 & p.8) In addition to this complex output, one cannot ignore the diversity in domestic norms and domestic actors in different countries. Hence, the output norms are also context-depended. The implementation of norms would vary across countries and would possibly deviate from what was envisioned in the first place. To sum up, two assumptions of Finnemore and Sikkink weakens the theory. These are the taken-for-granted internalisation of norms assumption and the assumption regarding the similarity of norm implementations in different countries.

These problems can be addressed in two ways. First, the internalisation process should be perceived as a complex process, rather than an automatic and linear process. Tensions among domestic actors, domestic norms, international actors, and international norms should be considered in the studies using the norm life cycle theory. Second, the norm implementation processes in different countries must be analysed in depth so that extensive analyses can show the diversities in norm adaptations across countries.

Overall, three hypotheses derived from the socialisation stage, one hypothesis derived from the internalisation stage, but no hypothesis formulated on the norms' emergence stage. Privatisation norms' international emergence in the early 1980s is an apparent fact. Therefore, neither the privatisation norms' international emergence stage discussed in detail nor any hypothesis derived from this stage. Since the socialization and internalization stages of the privatisation norm in Turkey and Slovenia are rather begging for an explanation, the broad discussion and hypotheses formulation were preferably on these two stages.

When a new norm replaces an old norm, appropriate behaviours for the new norm replaces the appropriate behaviours for the old norm. As discussed earlier, states may reject internalisation of international norms. In these rejection cases, appropriate behaviours for the old norms would be unchanged. In other words, the behavioural stability would be protected. While the norm life cycle theory stands strong in expressing behavioural changes due to normative changes, the theory is weak in proposing explanations for behavioural stabilities. To compensate this gap, next focus is on the historical institutionalist theory. The historical institutionalist theory is strong in describing behavioural stability conditions as a result of long-term institutional stabilities, which are broadly addressed in the following subchapter.

2.2 Historical Institutionalism

The institutionalist literature shows consensus on the view that institutions affect political outcomes by forming individual behaviour (Hall & Taylor, 1996, p.7). Showing consensus on the views, however, is not a common habit in the institutionalist literature. The greatest dissension in the literature is between

the old institutionalism and the new institutionalism. From the late 19th century until the 1950s, the old institutionalists were the only representatives of the institutionalist literature. Hence, over the time-period stated previously, the institutional focus could not go beyond the analysis of formal institutions belonging to governments and modern states (Bell, 2002, p.3). This old institutionalist focus was found to be deficient, and thus, questioned during the 1950s and 1960s by some scholars in the political science discipline (Bell, 2002, p.4). These scholars, later on, assumed the title of new institutionalists. New institutionalists suggested that the institutional focus should be expanded by taking the informal institutions – like norms, ideas, networks, and coalitions – into account (Hysing & Olsson, 2018, p.25). Contrary to old institutionalism, the informal institutions have more roles as the determinants of political outcomes than the formal institutions in new institutionalism (Bell, 2002, p.4). The institutional discord is, however, not only between old and new institutionalism but also within new institutionalism. There are three leading and different new institutionalist approaches. These are rational choice institutionalism, historical institutionalism, and sociological institutionalism (Steinmo, 2008, p.162; Hysing & Olson, 2018, p.25). Noting that ‘‘institutions’’ represent the rules and practices collected relatively stable (March & Olsen, 2009, p.5), rational choice institutionalists claim that institutions can shape individual behaviour, because following the rules is rational for humans who behave strategically (Steinmo, 2008, p.162). In contrast, according to sociological institutionalists, institutions can shape individual behaviour because following the rules is appropriate for social human beings (Steinmo, 2008, p.162 & p.163). Historical institutionalism takes the middle ground on this issue. According to historical institutionalists, both types of individuals – rational and social – exist in our world (Steinmo, 2008, p.163). Thus, individuals follow the rules either because they behave strategically or they behave appropriately. To put it another way, humans represent both the logic of consequences and the logic of appropriateness in their behaviours. The individual, the context, and the rule determine whether the individual behaves strategically (rationally) and, thereby, follows the logic of consequences or behaves appropriately and, thereby, follows the logic of appropriateness (Steinmo, 2008, p.163).

The point at which historical institutionalist ontology differs from the two other new institutionalist ontologies is not limited to the human nature issue. In this respect, one of the greatest discrepancies is that history has been of vital importance in shaping the world according to historical institutionalists that inspired from the works of the earliest historical institutionalists such as Peter Katzenstein and Theda Skocpol. History matters, because the past institutions are assumed to restrain the current and future behaviours and developments (Immergut, 2006, p.242; Hysing & Olsson, 2018, p.31). This restrictor feature of history stems from the path-dependence assumption. In the historical institutionalist theory, future institutions, behaviours, and outcomes depend on the former institutions, behaviours, and outcomes (Page, 2006, p.88). That is to say, previous steps in a certain institutional path bring about following steps in the same institutional path (Pierson, 2000, p.252). While every institution depends on the former institution, it is unlikely to expect major differences between the latter and the former

institutions. Hence, institutions would produce institutional stabilities, in which the speed of institutional change is gradual. The anticipation regarding the gradual change in institutions is associated with four features of institutions by Fioretos (2011, p.377). First, if stakeholders are benefitting from the current institutional design, they have interest and power in protecting the extant institutional designs (Fioretos, 2011, p.377). Any significant change in institutions would be hindered by stakeholders. In doing so, they would ‘‘lock-in’’ the balances of power and policies in institutions for ensuring long-term gains for themselves (Fioretos, 2011, p.377). Second, institutions can provide ‘‘positive feedback effects’’ by enlarging the number of stakeholders and/or by bringing short-term incentives to stakeholders (Fioretos, 2011, p.377). Positive feedback effects are the collective action mechanisms for the reason that more benefits dispersed among more stakeholders in institutions (Lockwood *et al*., 2017, p.324 & p.326). Third, if the duration of incentives from positive feedback effects is prolonged, there would be ‘‘increasing returns’’ for stakeholders (Page, 2006, p.88; Fioretos, 2011, p.377). Returns would keep increasing as long as stakeholders follow the affirmative behaviours for institutions more (Page, 2006, p.88; Fioretos, 2011, p.377). It would be less profitable for stakeholders to follow alternative or adverse behaviours for institutions than to follow affirmative behaviours for institutions (Pierson, 2000, p.252). Therefore, increasing returns raises the cost for deviating from the affirmative behaviours (Pierson, 2000, p.252). Rising fixed costs are, for instance, deviation costs. In long-run institutional stabilities, the fixed costs dispersed over more output, such that the unit costs decline over time (Arthur, 1994, p.112). However, the fixed costs of new institutional behaviours would be relatively high (Pierson, 2000, p.255). Another example of deviation cost is the presence of start-up costs in the new institutional behaviours (Pierson, 2000, p.257). To establish the new institutional behaviour before it acquires the self-funded qualification, material or cultural resources are required to spend according to Pierson (2000, p.257). These two examples support the claim that it is disadvantageous to deviate from the institutional behaviours. As the costs for deviating from the institution increase, the institutional stability becomes stronger and institutions change incrementally. Thus, the following hypotheses is derived by considering state’s ownership of enterprises and assets as an institution:

Hypothesis 9: Privatisation in Slovenia has been gradual and incomplete for more than two decades because the privatisation (adverse behaviour to the non-privatisation institution) costs exceeded the costs of keeping the institution according to subsequent incumbent Slovenian governments.

Hypothesis 10: Privatisation in Turkey has been gradual and incomplete for more than two decades but accelerated after 2004 because, after all, the costs of keeping the non-privatisation institution exceeded the privatisation costs according to the incumbent Turkish government.

The fourth and the last feature of institutions is they are expected to build constituent relationships with each other, in which it will give ‘‘self-reinforcing features’’ to institutions (Fioretos, 2011, p.377). Institutions become self-reinforcing by supporting the same actions or choices and by being

complementary to each other (Page, 2006, p.88; Fioretos, 2011, p.377). Ultimately, the presence of at least one of these features – lock-in, positive feedback, increasing returns, self-reinforcement – is sufficient to expect a gradual change in institutions according to the historical institutionalist theory (Fioretos, 2011, p.378). If these features are becoming stronger, institutional stability and the gradualism in change would consequently be warranted. The following hypotheses can be deduced based on these grounds:

Hypothesis 11: Privatisation in Slovenia has been gradual and incomplete for more than two decades because the presence of at least one of the features – lock-in, self-reinforcement which – strengthened the existing institutional stability.

Hypothesis 12: Privatisation in Turkey has been gradual and incomplete for more than two decades but accelerated after 2004 because, after all, neither the lock-in feature nor the self-reinforcement feature of the non-privatisation institution remained, and therefore, were not able to strengthen the institutional stability.

As the above discussion shows, there are four possible institutional features which strengthen the anticipation regarding the slowness of institutional change. Contrary to this anticipation, historical institutionalist theory also acknowledges the likelihood of sudden and major changes in institutions. According to the punctuated equilibrium assumption, institutions maintain their stability and are in equilibrium until they encounter an exogenous (external) shock (Steinmo, 2008, p.168). Exogenous shocks concept is used to describe the developments taking place outside of institutions but altering the inner institutional designs (Steinmo, 2008, p. 168 & Bell, 2002, p.12). These shocks arise while the institutional change is gradual and institutional stabilities are in progress. Once an exogenous shock occurs, it punctuates the extant institutional stability. As the institutional stability period is interrupted, the so-called critical juncture period begins (Lockwood *et al.*, 2017, p.322). Critical juncture is the period/moment when the speed of change accelerates as the new institutional path arises and the old institutional path abolishes suddenly. In this respect, exogenous shocks play crucial roles in starting and ending the periods of institutional stabilities and in accelerating the speed of institutional changes.

The historical institutionalist assumptions of the four possible features in institutions outlined above indicate why it is relevant to anticipate institutional stabilities, which subsequently provide behavioural stabilities. However, explaining the institutional change only by external causes is a remarkable shortcoming of the historical institutionalist theory. Several studies acknowledged endogenous causes for change as well as exogenous causes for change (Greif & Latin, 2004, p.649; Schwartz, 2004, p.13). Greif *et al*. (2004, p.636), for instance, rejected Pierson's (2000) perception regarding increasing returns / positive feedback (Pierson does not distinguish these two aspects). Pierson's (2000) understanding suggests that behaviours in line with institutions always bring positive feedback and negative feedback can only arise due to exogenous reasons. Conversely, Greif *et al*. (2004, p.636) argued that behaviours

in line with institutions can generate endogenous positive feedback in the short-run, whereas they may also produce endogenous negative feedback in the long-run. This endogenous negative feedback would cause institutional disruption and consequently institutional change (Greif *et al.*, 2004, p.636). Hence, as long as behaviours cause negative feedback, institutions would change endogenously. The following example underpins the Greif and Laitin's (2004) understanding of the endogenous negative feedback: Assuming that only by employing exactly 100 workers, a given job can be completed. Increasing the number of workers from 100 to 1000 for this job would bring endogenous positive feedback to the 900 additional workers in the short-run. However, the surplus of 900 workers for the given job would cause inefficiencies in the long-run. This inefficiency would undermine the institutional stability. Eventually, institutional stability would collapse because of an endogenous negative feedback. Greif *et al.* (2004, p.634) further disaffirmed the historical institutionalist theory by developing the claim that self-reinforcing institutions would not collapse and not change due to exogenous causes. The authors acknowledged the presence of behaviours which are not self-reinforcing, but rather self-undermining. These self-undermining behaviours would weaken institutions against exogenous shocks (Greif *et al.*, 2004, p.634 & p.649). Consequently, exogenous shock may destroy and change institutions. In this case, self-undermining endogenous behaviours indirectly change institutions (Greif *et al.*, 2004, p.649). Overall, institutional equilibriums can punctuate and consequently change because of endogenous causes. Thus, the following hypotheses are formulated:

Hypothesis 13: Privatisation in Slovenia has been gradual and incomplete for more than two decades because the institutional (non-privatisation) equilibrium has not been punctuated by endogenous shock(s).

Hypothesis 14: Privatisation in Turkey has been gradual and incomplete for more than two decades but accelerated after 2004 because, after all, the institutional (non-privatisation) equilibrium has been punctuated by endogenous shock(s).

For analysing privatisations in Turkey and Slovenia, the two theories – norm life cycle and historical institutionalism – are used in this research. As the overall discussion shows, the strengths and weaknesses of the two theories are in contradiction. The strength of the norm life cycle theory is rooted in expounding behavioural changes and the weakness of it stems from explaining behavioural stabilities. Conversely, the historical institutionalist theory is strong in explaining behavioural stabilities but weak in explaining behavioural changes. Despite this contrast, both theories analyse behaviour. What forms behaviour then? The two observed theories answered this question differently. While behaviours are formed by ''institutions'' in the historical institutionalist theory, they are formed by ''norms'' in the norm life cycle theory. Both institutions and norms signify behavioural rules (Finnemore *et al.*, 1998, p.891). However, behavioural rules are perceived distinctly within the two theories. Institutions refer to the collection of stable rules so that, rules are structured together and are interrelated (Finnemore *et al.*,

1998, p.891). Norms rather refer to the ‘‘single standards of behaviour’’, for which the behavioural rules are not contingent upon each other (Finnemore *et al.*, 1998, p.891). This definitional difference propounds further views: In historical institutionalism, as the rules are connected to each other, the entire collection of rules should change for one behavioural change. In the norm life cycle theory, the rules are rather perceived separately. Therefore, in the normative framework, expected behavioural changes are more likely than in the institutionalist framework because combined rules do not constrain behaviours. On the other hand, in the institutionalist framework, expected behavioural stabilities are more likely than in the normative framework because combined rules constrain behaviours and obstruct change. As a result, different behavioural rule perceptions of the two theories indicate their contradicting weaknesses and strengths.

In this thesis, hypotheses deduced from the social constructivist theory and the historical institutionalist theory will be tested. The next chapter presents the research methods used to give answers to the research question and the operationalisation of the concepts used. The empirical analysis chapter will show whether these hypotheses are confirmed or rejected.

Chapter 3: Methods, Sources, and Operationalisation

3.1. Methods and Sources

Until this point in the research, we have known what to test because hypotheses were previously constructed. How to test these hypotheses is still an unanswered question. This chapter introduces the methods for answering the research question and solves this issue.

Every hypothesis asserts the presence of a causal mechanism (CM) relating X (independent variable) to Y (dependent variable). CM’s are complex formations and processes. They are composed of many interacting entities and many interacting activities generating outcomes by conveying causal forces from X to Y (CDI, 2015, p.3; Beach & Pedersen, 2013, p.1 & p.30; Glennan, 1996, p.52). The entities can be conceived as intermediate factors bridging the main factor(s) in X to the main factor(s) in Y. The activities can be perceived as the intermediate actions, again, connecting the main action(s) in X to the main action(s) in Y. The aggregation of entities and activities creates the CM. Comprehending these CM’s is an essential step for approaching the answers in this research. Thus, the central method used in this qualitative research is process-tracing, which allows to scrutinize the CM’s while unpacking the intermediate entities and activities: CM) between causes (X) and effects (Y) (CDI, 2015, p.3). Beach and Pedersen (2013) introduced the three distinct versions of the process-tracing. These are theory-testing, theory-building, and explaining outcome. This research utilises the theory-testing methodology.

The fourteen formulated hypotheses are tested by following the three steps – conceptualisation, operationalisation, and evidence collection – of the theory-testing (Beach and Pedersen, 2013). The

initial step is conceptualising the hypothesised CM's in the hypotheses (Beach *et al.*, 2013, p.14). In doing so, the CM's become explicit (Beach *et al.*, 2013, p.14). The second step is the operationalisation of each part belonging to the CM's (Beach *et al.*, 2013, p.14). These parts become measurable, once they are operationalised. Operationalisation occurs by the transformation of anticipations into projections specific to the Turkish case and to the Slovenian case (Beach *et al.*, 2013, p.14). In the final step, evidence is gathered (Beach *et al.*, 2013, p.14). The collected evidence shows whether the hypothesized CM's are confirmed or rejected (Beach *et al.*, 2013, p.14).

The process-tracing is the central method applied in this research. The use of process-tracing is based on primary and secondary sources. The primary sources are the grey documents, which are considered as the non-opinionated documents containing objective information. The following introduces these grey documents. The annual country reports written by the IMF staff on Turkey and on Slovenia are important tools for this research, likewise, to the annual EU regular reports on Slovenia before 2004, the annual EU country reports on Slovenia after 2004, and the annual EU progress reports on Turkey since 1998. The EU country and progress reports are written by the European Commission. The reports published by the EU and the IMF demonstrate the IMF's and the EU's pressures as ''advices'' on Turkey and Slovenia for accelerating privatisation. The World Bank working papers and the OECD reports on the global privatisation supply insight information about the privatisation in Turkey and Slovenia. Unlike the IMF and the EU reports mentioned previously, the World Bank and the OECD reports are not yearly published, but rather irregularly. The EU-located business organisations' reports show the additional organisational pressure on Turkey and Slovenia to accelerate their privatisation programs. Moreover, the official documents published by the Turkish and the Slovenian governments are also crucial for tracing the privatisation processes. In addition, annual reports of the Turkish and the Slovenian public and private-enterprises indicate the yearly economic successes or economic failures of these enterprises.

The opinionated documents are used as secondary sources of evidence to support the evidence available in the grey documents. The number of direct evidence deductions from opinionated documents aimed to be limited. Hence, the risk of including any subjective evidence contained in the secondary sources is minimised. In case of direct deduction of evidence from opinionated documents, facts will carefully be separated from opinions. The research articles are one of the secondary sources useful to double-check the information on privatisation pathways in Turkey and Slovenia. The international newspaper articles that are critical on slow privatisation in Turkey and Slovenia illustrate the additional international pressure on these two states. Other than criticisms, the international newspapers involve information about the Turkish and the Slovenian privatisation experiences, likewise, to the Turkish newspaper articles. Noting that deducting information from the Slovenian newspapers is not possible due to the language barrier. In addition, the public speeches and the press briefings of the Turkish and

Slovenian government and opposition authorities on privatisation are another secondary source. They are found in newspaper articles and journal articles published as e-sources.

The process-tracing is supported with the document-analysis method. The documents have already been introduced as sources for the process-tracing. Still, certain documents require particular attention because the analysis of them are expected to bring along the following benefits to this research: (i) disclosing vague points in the research problem, (ii) acquiring opinion about the research problem, (iii) digging deeper into the research topic (Merriam, 1998, p.118; Bowen, 2009, p.29). The documents that require a separate analysis are the IMF country-reports on Turkey and Slovenia, the EU regular and country-reports on Slovenia, and the EU progress-reports on Turkey. The information contained in these documents go beyond than privatisation experiences of Turkey and Slovenia. These documents provide comprehensive information about the political economies of Turkey and Slovenia from a third (objective) perspective. Hence, the most important sources used for both countries – the IMF and the EU documents – necessitate the use of the document-analysis method.

In addition to methods and sources discussed above, this research also utilises the World Bank dataset. This dataset provides indicators about the Turkish and the Slovenian economies, such that indicators showing the unemployment and inflation levels. This dataset is found in the official website of the World Bank.

Last but not least, this research is building an explanatory narrative, which analyses what has happened (explanandum) in Turkey and Slovenia. It is built by the use of the process-tracing and the document-analysis methods and by the use of a variety of sources. The possible causal relations in the constructed hypotheses are tested within this explanatory narrative. The analyses of the hypotheses provide the answers to the research question.

3.2. Operationalization

Every concept within the theoretical and theory-critical variables must gain operational status by following two main steps: Firstly, defining the concepts explicitly. A clear definition provides every reader the same meaning of the concept. Secondly, specifying how these concepts that define the variables are observed and identified. Thereby, the researcher expresses the indicator evidence for every variable. If both the dependent (Y) and the independent (X) variables are operationalised, then the corresponding hypothesis is operationalised. In the following, initially, the dependent variable belonging to hypotheses formulated for Slovenia and the dependent variable belonging to hypotheses formulated for Turkey will be operationalised. Subsequently, the independent variables of each hypothesis will be operationalised.

3.2.1. The dependent variable of hypotheses related to the Slovenian case

The dependent variable of hypotheses related to the Slovenian case is ‘‘*Privatisation in Slovenia has been gradual and incomplete for more than two decades*’’. In the Slovenian case, the ‘‘more than two decades’’ refer to the time-span between 1992 and 2018. The ‘‘Privatisation’’ concept refers to the sale of large state-owned enterprises and large state-owned assets to private investors. ‘‘State-owned assets’’ are the properties owned by the state that have a value in the market. The businesses and companies operated by the state are the ‘‘state-owned enterprises’’. If the data will suggest that at least 50 percent shares of formerly state-owned enterprises or assets are transferred from state-ownership to the private sector, these enterprises or assets will be considered as privatised. As the state loses at least 50 percent of its shares, it implies that the state is not controlling the enterprise or the asset anymore. However, in such exceptional cases, the state holds at least 25 % plus one share in the enterprise or asset and prohibits the purchase of larger share than the share of the state by other investors. If the ownership structure of such enterprises and assets are designed as described in the previous sentence, they will also be accepted as non-privatised since the state still holds the controlling share. Another concept requires explanation is the ‘‘gradual and incomplete privatisation’’. The gradual privatisation refers to the low proportion of large enterprises and assets’ privatisation over a long period. This period starts when the states intended to start privatisation and it ends with the acceleration of privatisation. ‘‘Incomplete privatisation’’ represents the state’s high ownership over the largest enterprises and assets in a national economy.

3.2.2. The dependent variable of hypotheses related to the Turkish case

The dependent variable of the hypotheses related to the Turkish case is ‘‘*Privatisation in Turkey has been gradual and incomplete for more than two decades but accelerated after 2004’’.* In the Turkish case, ‘‘more than two decades’’ refer to the time-period between 1984 and 2004. The ‘‘acceleration of privatisation in Turkey’’ refers to the significant increase in the proportion of privatisation revenues over a shorter time-period relative to the previous gradual privatisation period (in which the privatisation revenues were at a lower proportion). Remarkable increases in privatisation revenues will occur, only if the large enterprises or assets are privatised. Privatisation of small enterprises or assets would not notably increase the privatisation revenues. Therefore, the high privatisation revenues are the inevitable indicators of large enterprises or assets’ privatisation. The accomplishment of privatising the large state enterprises and assets (with high turnovers) signifies the ‘‘acceleration of privatisation’’. Both the gradualism and acceleration are accounted in terms of high privatisation revenues or in terms of the privatisation of large enterprises and assets instead of the total number of privatisations, because transferring many small enterprises and assets to the private sector does not considerably reduce the state’s control over the economy. A states’ control over its economy declines only if that state loses its control over the large enterprises and assets. As the states’ control reduces, markets are freed. Noting

that since the 1980s, one of the main ideological reasons for the global privatisation wave was to diminish the interventionist roles of states. Hence, without the privatisation of the largest state enterprises and assets, the given privatisation program will be considered as unsuccessful in this thesis.

The evidence collected on the privatisation pathways in Slovenia and Turkey are retrieved from the reports of the IMF, the EU, the Turkish and Slovenian governments, the articles published by researchers, and the newspaper articles.

3.2.3. Independent variables of hypotheses related to socialisation

Hypothesis 1 and Hypothesis 2 are the hypotheses related to socialisation. The independent variable of Hypothesis 1 is ''*the incumbent Slovenian governments have not successfully been socialised with the internationally prevailing norm of privatising public assets and enterprises*''. The independent variable of Hypothesis 2 is ''*the incumbent Turkish government has successfully been socialised with the internationally prevailing norm of privatising public assets and enterprises*''. If a government is ''unsuccessfully socialised'', the opposing behaviours or opinions to the norm must appear in that government. Conversely, in a ''successfully socialised'' government, opposing behaviours to the norm must disappear in that government. Moreover, a socialised government exhibits supportive behaviours and expresses positive opinions to the norm. Therefore, Hypothesis 1 will be confirmed, if the results for Slovenia indicate that there were governmental authorities' opposing behaviours, opinions or stances to the privatisation norm existed. Hypothesis 2 will be confirmed, if the results for Turkey after 2004 demonstrate that, first, there were no governmental authorities' opposing behaviours, opinions or stances to the privatisation norm, and second, supportive behaviours, opinions (or stances) of the government to the privatisation norm existed. The indicator for opposing opinions is the criticisms (or condemnations) of governmental authorities on privatisation, and the indicator for positive opinions is supportive discourses of governmental authorities in press briefings and public speeches. Hindering the sale of state enterprises and assets by enacting laws/codes/ordinances against privatisation is the indicator of opposing behaviours. Providing the sale of state enterprises and assets by the enacting laws/codes/ordinances for privatisation is the supportive behaviour indicator. Evidence for opposing and supportive behaviours is found in the documents published by international and supranational organisations, as well as by researchers.

3.2.4. Independent variables of hypotheses related to internalisation

Hypothesis 3 and Hypothesis 4 are the hypotheses related to internalisation. The independent variable of Hypothesis 3 is ''*Slovenia has not successfully internalised the internationally prevailing norm of privatising public assets and enterprises in the political level*''. The independent variable of Hypothesis 4 is ''*Turkey has successfully internalised the internationally prevailing norm of privatising public assets and enterprises in the political level.*'' A ''successfully internalised norm'' is a norm that has

gained its ‘‘taken-for-granted’’ feature. If a norm is widely accepted in a state and becomes common thought, it gains the taken-for-granted feature. Conversely, if a norm is still being questioned, it has not gained the taken-for-granted feature, and thus, the internalisation of that norm is unsuccessful. As long as the privatisation norm never acquired the taken-for-granted feature in Slovenia at the political level, Hypothesis 3 will be confirmed. Hypothesis 4 will be verified if the privatisation norm gained the taken-for-granted feature in Turkey after 2004 at the political level. The indicator for recognising the taken-for-granted feature (successful internalisation) at the ‘‘political level’’ is the expiration of political dispute among opposition and ruling parties over the privatisation norm. For instance, if the privatisation decision of any state-owned enterprises and assets does not lead to a dispute in the parliament (excluding the potential disputes within the government, which are the socialisation indicators), the privatisation norm is internalised in the political level. On the other hand, the continuance of dispute among political parties (mainly) in the parliament means that the privatisation norm did not internalise (did not gain the taken-for-granted feature) at the political level. The press briefings and public and parliamentary speeches of the Turkish and Slovenian deputies from the opposition parties will show whether the dispute in the parliament exists or not. From the governmental side, only the responses of the government authorities to the criticisms of opposition parties on privatisation can be used as an indicator of unsuccessful internalisation. The unsuccessful internalisation at the political level will be further detected, if the non-privatisation of state enterprises or assets policy take place in the party programs or within the pre-election promises of opposition parties. The evidence on party programs and election promises are retrieved from newspaper articles or from the official party websites.

It seems necessary to clarify that the internalisation indicator is slightly different than the socialisation indicator. The socialisation will be measured by examining the political disputes within the government. The internalisation, however, will be measured by investigating the disputes among the opposition parties and the ruling parties. Also, if the socialisation hypothesis of a case is rejected, then the internalisation hypothesis of that case will not be tested. The underlying reason is that if there is no socialisation, there is no internalisation.

3.2.5. Independent variables of hypotheses related to passivation of opposing domestic actors

Hypothesis 5 and Hypothesis 6 are the hypotheses related to passivation of domestic actors. The independent variable of Hypothesis 5 is ‘‘*international pressure groups, states or organisations could not passivize opposing domestic actors at societal level*’’. The independent variable of Hypothesis 6 is ‘‘*international pressure groups, states or organisations could finally passivize opposing domestic actors at societal level*’’. ‘‘International pressure groups’’ refer to norm-entrepreneurs, such as think tanks, academics, business people, and experts promoting the privatisation norm at organizational platforms. ‘‘States’’ are the privatisation norm-follower states. ‘‘Organisations’’ are the international and

supranational organizations advocating the privatisation norm. ‘‘Opposing domestic actors in the social level’’ are the actors with the aim of hindering privatisation in the society. ‘‘Passivation’’ means that there were no considerable opposing domestic actors – that can hinder privatisation – left. ‘‘Finally passivize’’ in Hypothesis 6 indicates that opposing domestic groups could not be passivized until the year 2004 in Turkey. If the results suggest that opposing domestic actors were extant in Slovenia, Hypothesis 5 will be validated. Conversely, Hypothesis 6 will be verified, as long as evidence demonstrate that there were no considerable opposing domestic groups left in Turkey after 2004.

There are three indicators for recognising the unsuccessful passivation of opposing domestic actors: Firstly, the presence of domestic groups protesting on the streets against privatisation. Secondly, newspaper or research articles that are opinionated against pro-privatisation governments and IOs that pressure for privatisation. Investigating the domestic Slovenian newspaper articles would not be possible due to the language barrier unless they published in English. Thirdly, if the Slovenian/Turkish citizens reject the privatisation of state enterprises or assets in referendums or in opinion polls, these referendums and polls are also the indicators of non-passivized opposing domestic actors. If none of these three indicators were existent, the results will imply that opposing domestic actors in the social level were successfully passivized. The information regarding the indicators are retrieved from the opinionated researcher and newspaper articles, and from the non-opinionated but rather fact-based newspaper and research articles.

3.2.6. Independent variables of hypotheses related to reputational costs

Hypothesis 7 and Hypothesis 8 are the hypotheses related to reputational costs. The independent variable of Hypothesis 7 is ‘‘*government decided against privatisation as domestic reputational costs which would have come with privatisation would have exceeded international reputational costs*’’. The independent variable of Hypothesis 8 is ‘‘*the government decided in favour of privatisation because the international reputational costs which came with non-privatisation exceeded domestic reputational costs came with privatisation*’’. ‘‘International reputational costs’’ refer to the decline of a state’s international reputation because of becoming a norm-breaker state. The decreasing domestic support to a government by the citizens signifies ‘‘domestic reputational costs’’ for a government. Domestic reputational costs emerge due to following an international norm that is in contradiction with the domestic norm(s). Hypothesis 7 will be verified, as long as the domestic reputational costs exceeded international reputational costs according to incumbent Slovenian governments. If the results suggest that international reputational costs exceeded domestic reputational costs in Turkey, and thus, the incumbent government decided upon accelerating privatisation, Hypothesis 8 will be confirmed.

The votes received by pro-privatisation governments (or the coalition member parties) in the elections will be an indicator for domestic reputational costs in Turkey and Slovenia. The National Business

Associations attacking the governments' reputation through criticisms will be another indicator of domestic reputational costs.

The EU and the IMF country reports containing criticisms of Turkey and Slovenia for being slow to privatise are one of the indicators for international reputational costs. Another international reputational cost indicator is the international newspaper articles that blame Slovenia and Turkey for running a mixed economy due to the remarkable state ownership in enterprises and assets. Both trade partner countries and reports of EU-located business organisations' which accused Turkey and Slovenia for state aid and for closing their borders to foreign investors and corporations are also used as indicators for international reputational cost.

3.2.7. Independent variables of hypotheses related to material costs

Hypothesis 9 and Hypothesis 10 are the hypotheses related to material costs. The independent variable of Hypothesis 9 is ''*the privatisation (adverse behaviour to the non-privatisation institution) costs exceeded the costs of keeping the institution according to subsequent incumbent Slovenian governments*''. The independent variable of Hypothesis 10 is ''*the costs of keeping the non-privatisation institution exceeded the privatisation costs according to the incumbent Turkish government*''. Privatisation is the ''adverse behaviour'' to the non-privatisation institution in Slovenia. Since Hypothesis 7 and Hypothesis 8 will address the non-material costs in the Slovenian and Turkish cases, the costs in Hypothesis 9 and 10 represent only the material costs for incumbent Slovenian and Turkish governments. If results indicate that privatisation was relatively unprofitable according to incumbent Slovenian governments, Hypothesis 9 will be confirmed. In contrast, Hypothesis 10 will be verified if results demonstrate that non-privatisation was relatively unprofitable compared to privatisation in material terms according to incumbent Turkish government of 2004.

To measure whether state enterprises are profitable for the state (the main stakeholder in state enterprises) or not, the ''net profit'' data in the Turkish and Slovenian state enterprises will be analysed. The positive net profits of state enterprises will show the profitability in state enterprises. The declining, constantly low or negative net profit data will demonstrate that state enterprises were unprofitable or were even causing losses. The net profit data is retrieved from annual reports of the Turkish and the Slovenian enterprises.

3.2.8. Independent variables of hypotheses related to the lock-in and the self-reinforcement features

Hypothesis 11 and Hypothesis 12 are the hypotheses related to the lock-in feature and the self-reinforcement feature. The independent variable of Hypothesis 11 is ''*the presence of at least one of the features – lock-in, self-reinforcement which – strengthened the existing institutional stability*''. The

independent variable of Hypothesis 12 is ‘‘*neither the lock-in feature nor the self-reinforcement feature of the non-privatisation institution remained, and therefore, were not able to strengthen the institutional stability*’’. The main stakeholders in institutions ‘‘lock-in’’ the institutional policies and the institutional power relations. Institutions are ‘‘self-reinforcing’’, as long as their presence is supported by other institutions. If at least one of the two features – lock-in or self-reinforcement – were extant in the non-privatisation institution in Slovenia, Hypothesis 11 will be verified. Hypothesis 12 will be confirmed, if none of the two features – lock-in or self-reinforcement – were existent in the non-privatisation institution in Turkey during the early/mid 2000s.

The presence of other institutions in line with mixed economy/state capitalism is the indicator for self-reinforcing non-privatisation institution. The mixed economy institutions are perceived as institutions which are against the free-market economy logic, such as the presence of trade limitations (quantity restrictions and import quotas), capital inflow/outflow restrictions, and price controls. The non-presence of floating exchange rate regime is also a mixed economy institution because the state can manipulate its own currency if its exchange rate regime is not floating. The international and supranational organisation reports, official governmental documents, or the international newspaper articles provide the information about existence or non-existence of other mixed economy institutions, besides to the non-privatisation institution.

The indicators for lock-in feature are the adoption of Laws or Ordinances by the Parliament that locks the privatisation of state enterprises and assets. The information regarding the lock-in feature is retrieved from the official governmental documents, fact-based newspaper and research articles.

Noting that positive feedback and increasing returns were not added to Hypotheses 11 and 12, even though they are the potential features observed in institutions according to the historical institutionalist theory. The reason is that the indicator for the positive feedback – net yearly profits –represent the short-term benefits (positive feedback feature). Moreover, net yearly profits in the long-run is also an indicator for the increasing returns. Both indicators are used to measure the independent variables in Hypotheses 9 and 10. Therefore, it is unnecessary to measure the same variables twice.

3.2.9. Independent variables of hypotheses related to endogenous shock(s)

Hypothesis 13 and Hypothesis 14 are the hypotheses related to endogenous shock(s). The independent variable of Hypothesis 13 is ‘‘*the institutional (non-privatisation) equilibrium has not been punctuated by endogenous shock(s)*’’. The independent variable of Hypothesis 14 is ‘‘*the institutional (non-privatisation) equilibrium has been punctuated by endogenous shock(s)*’’. ‘‘Endogenous shock(s)’’ refer to the problems that have internal origins occurring within institutions. These shocks can punctuate the institutional equilibrium and abolish the current institutional setting. Hypothesis 13 will be confirmed, if the evidence indicates that there were no such endogenous shocks that could have interrupted the non-

privatisation institution in Slovenia. In case the non-privatisation institution in Turkey interrupted by an endogenous shock in the early 2000s until the year 2004, Hypothesis 14 will be confirmed. The indicators for endogenous shocks are high unemployment rates, high government deficits, current account imbalances, and high-inflation rates for both countries. Moreover, the presence of stand-by agreement(s) with the IMF or bail-out programs with the EU are another indicator. Only in crisis times, countries conclude stand-by agreements with the IMF or apply for the EU bail-out programs. In doing so, these countries accept certain conditions imposed by the IMF or by the EU to get loans for recovering their economies.

The excessive currency depreciation and high interest rates are also endogenous shock indicators for the Turkish case and for the Slovenian case but only until 2007. The reason is that Slovenia is a euro area member since 1 January 2007 and the European Central Bank is the determinant in the EU member states' interest rates. Hence, considering any significant depreciations in the euro currency or high interest rates as a Slovenian endogenous shock would be misleading.

Interest rates data are retrieved from the reports written by the EU and the IMF on Slovenia and on Turkey, respectively, and from fact-based newspaper articles. The data on unemployment rates, inflation rates, and governmental deficit rates are found in the World Bank dataset. The IMF website provides information about the stand-by agreements' existence. The Turkish Central Bank contains data on the value of the Turkish lira.

Chapter 4: Empirical Analysis

This chapter consists of six main sections. The first two sections (4.1 and 4.2) describe at great length what has happened in Turkey and Slovenia concerning privatisation. The remaining four sections (4.3, 4.4, 4.5, 4.6) test two theories – the social constructivism and the historical institutionalism – to analyse the privatisation-related events.

4.1 Commonalities and Differences in the Turkish and Slovenian Cases

In the early 1980s, the U.K and Chile were the two vanguards of privatisation as they were the earliest countries to carry out vast privatisation. Within the 1980s and the 1990s, many countries became acquainted with privatisation and which was later implemented. Some of these countries, like Turkey, had capitalist economy backgrounds. Others, like Slovenia, had socialist economy backgrounds. As part of Yugoslavia until 1991, the socialism in the Socialist Republic of Slovenia was not as rigorous as the socialism in the Union of Soviet Socialist Republics (USSR) (Pleskovic & Sachs, 1994, p.192 & p.193). Still, there were remarkable differences between the economic structure of the Socialist Republic of Slovenia and the capitalist-oriented economic structure of Turkey. After the independence of Slovenia on 25 June 1991, differences between the Turkish and the Slovenian economies were relatively

narrowed down. In certain aspects, and particularly in privatisation-related aspects, the economic structures of the two countries matched. For understanding similarities and differences between the Turkish case and the Slovenian case, this chapter provides background information which covers the economic structures influencing privatisation, and the privatisation developments within the two countries.

4.1.1 The Turkish Economy and Privatisation

Since the establishment of the Republic of Turkey in 1923, the Turkish State policy is ‘‘Westernisation despite the West’’, as the founder of Turkey Mustafa Kemal Atatürk commented. From the year 1923 onward, this policy continued, even roughly. Turkey built close relations with the core representatives of the ‘‘West’’, primarily the North Atlantic Treaty Organisation (NATO), the EU, the U.S, the IMF, the World Bank, and the OECD. These close relations have been one of the key determinants for the developments which took place in Turkey. In this respect, the capitalist orientation of the Turkish economy is strongly related to the adoption of capitalism by the West.

In the Turkish capitalism, the state didn’t take a position against the private property, or against the private sector. The Turkish state always respected every citizens’ right to own property (Altıparmak, 2002, p.39; Akça, 2015, p.544). Since Turkey was established, private ownership of enterprises was also permitted and usually supported by the state. Between 1923 and 1932, the Turkish authorities chose an economic development model based on private enterprises (Altıparmak, 2002, p.36). This model, however, did not last long because private enterprises did not bring the expected revenues for the economy (Altıparmak, 2002, p.36). Moreover, many industries lacked private capital investments (Maxfield & Nolt, 1990, p.68). Therefore, the state intervened in the economic sectors which private enterprises failed to handle or remained incapable in operating. After 1932, several state enterprises were established. These enterprises became the primary vehicle for economic activity from the 1930s onward (Maxfield & Nolt, 1990, p.68). Until the 1980s, the number of state enterprises gradually increased as well as their roles in the Turkish economy (Yeşilay, 2005). Although the establishment of state enterprises diminished the private sectors’ size, private activities and private enterprises never disappeared completely in the Turkish capitalism. The production of goods and services was rather mixed between state enterprises and private enterprises.

The presence of both state enterprises and private enterprises was not the only mixed economy feature of the Turkish economy. Like many other developing countries, Turkey pursued import-substitution industrialisation (ISI) policies between 1960 and 1980 (Ayden *et al.*, 2018, p.15). One of the ISI policies was the dramatic regulation of the Turkish market through price controls and the implementation of a fixed exchange rate regime (Hiç *et al.*, 2009). Besides, the Turkish lira was not convertible. Considerable restrictions on trade were another ISI policy: The state imposed high tariffs and significant quantity

restrictions on imports (Utkulu & Seymen, 2004, p.6). Overall, the mixed economy features in Turkey persisted until the late 1970s.

In the 1980s, developments adverse to the ISI policies occurred as the Turkish economy was influenced by the neoliberal ideology emerging in the West. One of the salient neoliberal beliefs was that ensuring the market freedom provides the maximum benefit to the economy (Harvey, 2005). In accordance with this neoliberal belief, Turkey replaced the ISI policies with free market economy policies by the adoption of the *24 January 1980 Decisions* (emphasis added). In doing so, Turkey implemented the price mechanism policy so that supply and demand became the determinants of market prices (Karluk & Sevilay, 2016). The capital flows and inflows (the capital account) were fully liberalised (Önder, 2008, p.95). Market freedom was also strengthened by the elimination of the fixed exchange rate regime (Aytaç, 2016, p.115). Turkey began to follow a managed float regime after 1980 and the Turkish lira became convertible (Aytaç, 2016, p.115; Hiç *et al.*, 2009, p.120). The mixed economy features began to disappear in the 1980s, but they were not fully abolished. In the managed float regime, exchange rates were still not based on the currencies demand and supply in the foreign exchange market. It was rather the central bank which determined exchange rates (Aytaç, 2016, p.117). The removal of tariffs and quantity restrictions on imports also started (Hiç *et al.*, 2009, p.119). Still, the trade regime was not entirely free throughout the 1980s (Öniş, 2004, p.119). The tariffs and quantity restrictions on imports were not completely eliminated. The incomplete trade freedom and the existence of a managed float regime shows that there was – not to a large, but to a certain extent – a mixed economy in Turkey during the mid and late 1980s. Simultaneously, the privatisation of state enterprises and assets began.

The earliest considerable privatisation transactions occurred in the cement industry. Until 1993, 100 % of shares in the three cement companies Ladik Çimento, Şanlıurfa Çimento, Aşkale Çimento and 99.78 % of shares in the cement company Bartın Çimento were sold to private owners (Aksoy, 1993, p.50). Other early privatisations took place in the automobile industry by the sale of TOE's 81.35 % of shares, in the supermarket chain by the sale of GİMA's 94.05 % of shares and in the airport services by the sale of USAŞ's 70 % of shares (Tecer, 1992, p.141; Aksoy, 1993, p.50). These privatised companies brought low privatisation revenues as they were small-scaled companies (Tecer, 1992; Aksoy, 1993). Additional share sales occurred in other industries/sectors like airline, banking, electricity, iron and steel, telecommunication, and Petro-chemical, but the state did not lose its controlling share over the companies in these industries/sectors (Tecer, 1992, p.141; Aksoy, 1993, p.50; Palmer, 2010, p.81). As a result, such companies were not privatised. Once the privatisation program was initiated, the state ownership did not immediately reduce in most industries.

4.1.2 The Slovenian Economy and Privatisation

The recent political-economic history for Slovenia can be split into two parts: the period before Slovenia became independent from Yugoslavia and the period after Slovenia became independent. After the

establishment of the communist regime in 1945, the Yugoslavian economy was significantly similar to the economy of the USSR until 1950 (Uvalić, 2018). During that time, the Yugoslavian economy, and thus, the economy of the Socialist Republic of Slovenia, represented a typical socialist economy in many ways (Uvalić, 2018). Under the leadership of Josip Broz Tito, the single communist party (The People's Front) was controlling the major actor in the economy: the Yugoslavian state. The state became the organizer of economic activity in Yugoslavia through central planning (Uvalić, 2018). Not only the organizer, but the state also became the owner of many economic instruments crucial for economic activity. The ownership of means of production was transferred to the state as well as the ownership of enterprises (Uvalić, 2018). The transfers of large and key enterprise ownerships in the transport sector, the insurance sector, the wholesale trade, and the banking sector were the most remarkable ownership transfers (Uvalić, 2018). This typical socialist economy, however, was not permanent.

Between 1945 and 1950, two crucial developments paved the way for the abolishment of intense socialism. First, the relations of Yugoslavia with the USSR deteriorated, and Yugoslavia was expelled from the Cominform (Information Bureau of the Communist and Workers' Parties) in 1948 (Uvalić, 2018). Second, the communist party authorities recognised that the current economic system was missing the fundamental economic development incentives and had many other defects (Uvalić, 2018). These developments led Yugoslavia to find its own third way both politically and economically.

The Yugoslavian economy's transition to a unique socialist economy began in the 1950s. Many economic reforms were carried out for terminating the extreme socialist structure. These reforms mainly decentralised the economy, introduced certain market mechanisms, and diminished the state's authoritative role in economic activities (Uvalić, 2018). Especially, economic changes concerning enterprises were outstanding. The state's ownership in enterprises was eliminated and enterprises were not subject to central management anymore. Enterprises began to be ''socially'' owned. The social ownership referred to the independence of enterprises from central planning and the strong influence of workers in enterprise management through the workers' councils (European Commission, 1997, p.23; Pleskovič & Sachs, 1994, p.193). From the 1950s onward, workers held the management of enterprises in the manufacturing industry, the mining sector, the communication sector, the transport sector, the trade, and the forestry (Uvalić, 2018). Unlike in the typical socialist economies, the workers' influence in the economy magnified and exceeded the state's influence. Regarding the size of the private sector, however, the Yugoslavian socialism was very much alike to typical socialist countries. The private activity in the economy was further restricted after 1950. The limited private activity was only permitted in the agriculture sector, the service sector, and the craft industry (Uvalić, 2018). The private sectors' size remained very small and the social sector was generating 86.2 % of the social product[1] in 1989

[1] The social product represents the products which are generated only by the value-added production sectors (Uvalić, 2018).

(Uvalić, 2018; European Commission, 1997, p.23). In this respect, production of goods and services was, on a large scale, not mixed between social and private sector.

Despite the low mix between social and private production, the Yugoslavian economy had several remarkable mixed economy features. Yugoslavia had strong trade relations, particularly with capitalist Western Europe (Pleskovič *et al.*, 1994, p.193; European Commission, 1997, p.8). Nevertheless, the trade was subject to restrictions. Tariff rates imposed on imports ranged approximately between 5 % to 25 % in the mid-1960s (Schmidt, 1966, p.24). Similar tariff rates (0 % to 25 %) continued until Yugoslavia's dissolution (Pleskovič *et al.*, 1994, p.209). The level of market freedom was not high. Price controls existed in many sectors (Pleskovič *et al.*, 1994, p.214; European Commission, 1997, p.28). The exchange rate was relatively liberalised in 1973 as the fixed exchange rate regime was replaced by the managed float regime (Stojanović, 2007, p.215). However, this relative liberalisation of the exchange rate was short-lived. In 1989, Yugoslavia adopted the fixed exchange rate regime once again (Stojanović, 2007, p.198). These market and trade restrictions indicate a sort of mixed economy's existence in Yugoslavia, and thus in the Socialist Republic of Slovenia until the dissolution.

After its independence, Slovenia set many economic and political goals which were contrary to the goals in Yugoslavia. Yugoslavia had limited political and economic relations with Western Europe (Pleskovič *et al.*, 1994). Improving these relations and integrating with the European Community (EC) became the greatest priority of Slovenia from the early 1990s onward. Meanwhile, the EC was preparing for the enlargement towards Central and Eastern Europe (CEE). The EC set the Copenhagen criteria for the EU accession in the European Council in Copenhagen by 1993. The economic criterion of ''a functioning market economy and the capacity to cope with competition and market forces'' (European Commission, 2016) drew the roadmap for the Slovenian economy in the 1990s. To fulfil this economic criterion, Slovenia had to replace the mixed economy features with free market economy features. In that manner, remarkable progress was made in trade liberalisation (European Commission, 1999a, p.25 & p.26). In almost every sector, the quantity restrictions were eliminated (Pleskovič *et al.*, 1994, p.209). However, the European Commission (1999a, p.25 & p.26) reported that trade was not entirely free in the 1990s. Similar to trade liberalisation, remarkable progress was made in price liberalisation, and the price liberalisation was not fully achieved during the 1990s (European Commission, 1999a, p.25). The state administered the important commodity prices for the economy like energy prices, telecommunication prices, and transport prices (European Commission, 1997, p.25). Restrictions on capital movements persisted despite the notable progress made for liberalising the capital movements (European Commission, 1999a, p.33). Slovenia implemented the managed float regime after its independence but the exchange rate was still strictly regulated (Lavrac, 1999, p.5; Masten *et al.*, 2004, p.1). Overall, the restrictions on trade and market freedom lessened during the 1990s. This implies that the degree of the mixed economy was relatively low when the privatisation began in Slovenia in the early 1990s.

After the initiation of the privatisation program in the early 1990s, most of the socially-owned enterprises which remained after the dissolution were either transferred to the state or privatised (Mencinger, 2006). The initial privatisations happened in the manufacturing industry by the sale of approximately 7200 enterprises (European Commission, 1997, p.73). In numerical terms, these enterprises made up 90 % of the overall enterprises in the manufacturing sector (European Commission, 1997, p.73). The remaining 10 % were either state or socially owned (European Commission, 1997, p.73). Only 570 of the remaining state enterprises generated ‘‘80 % of industrial employment, turnout and exports’’, (European Commission, 1997, p.73). Therefore, the state still had a significant role in industry despite the large number of privatised companies. During the 1990s, further early privatisations took place in the food processing, in the agricultural and steel sectors as well as in the press (European Commission, 1997, p.19; European Commission, 1999a, p.40). For example, in the late 1990s, 92 % of the agricultural lands were owned by private owners and every formerly state-owned farm was privatised (European Commission, 1999a, p.40). To sum up, an undeniable deal of privatisation actions has been carried out in the 1990s. Still, the share of the private sector in production was around 50-55 %, which was low according to the European Commission (1999a, p.26). Hence, the considerable role of the state in the economy did not disappear soon after the initiation of privatisation.

4.1.3 Major Privatisation-related Developments in Turkey and Slovenia

Turkey and Slovenia came from different economic backgrounds but were similar in representing small mixed-economies in the time when initial privatisations were implemented. These initial privatisations neither ceased the remarkable state ownership in Turkey, nor in Slovenia in the following years. As a matter of fact, the high state ownership persisted in the two countries for more than two decades. Only a low percentage of large enterprises and assets were privatised over a long period in Turkey and Slovenia. Thus, both countries had gradually privatised programs for more than two decades. The gradualism in privatisation and, thus, the high state ownership prevailed, although both countries experienced the same type of political actions, which could have accelerated their privatisation programs. These political actions were (i) the commitment of certain Turkish and certain Slovenian governments to privatise large enterprises and assets and (ii) the international pressure on Turkey and Slovenia for the acceleration of privatisation.

The goal of particular Turkish and Slovenian governments was to accelerate their gradually proceeding privatisation programs. In Turkey, for instance, under the administration of the Motherland Party (ANAP), many neoliberal policies were put on the policy agenda between 1983 and 1991. One of them was privatisation (Öniş, 1991; Karataş, 2001). Moreover, between 1997 and 2000, the coalition government consisted of the Democratic Left Party (DSP), the ANAP, and the Nationalist Action Party (MHP). The coalition announced the acceleration of privatisation as one of the most substantial goals of the government (Karataş, 2001, p.103). The goal of acceleration was attributed to the conditionality of

additional foreign aid from the IMF and the World Bank (Karataş, 2001, p.103). In Slovenia, the government built by the coalition of the Liberal Democracy of Slovenia (LDS), the Slovenian's People Party (SLS), and the United List of Social Democrats (ZLSD) from 2000 to 2004 aimed to privatise several state enterprises and assets, including many larger organisations (Mencinger, 2006, p.73). In 2013, privatising large state enterprises and assets was also a goal for the coalition government formed by Positive Slovenia (PS), Social Democrats (SD), Citizen's List (DL), and DeSUS (Democratic Party of Pensioners of Slovenia) (ECFIN, 2013, p.2 & p.8). A privatisation list that proposed the privatisation of large enterprises (NKBM and Telekom Slovenije) and 13 additional companies was approved by that government (ECFIN, 2013, p.2). The subsequent government, which was built by the Party of Modern Centre (SMC), DeSUS, and the SD, had also committed to implementing bank privatisation (OECD, 2015b, p.6).

Besides certain governments' commitment to privatisation, international and supranational organisations were putting pressure on both countries to accelerate their gradual privatisation programs. Regarding Turkey, the IMF authorities reported in 1994 (p.77, emphasis added) that ''Directors [of IMF] *urged* the [Turkish] authorities to push ahead with the privatisation program … the [Turkish] authorities were also *cautioned* about using privatisation revenues as a short-run method of reducing the budget deficit''. Likewise, to IMF, the European Commission criticised the slow pace of privatisation and the low revenues generated from privatisation (2001, p.41). In addition, the Commission underlined the state's significant role in output production due to the significant state ownership in 2001 (p.41). The European Commission also had criticised the Slovenian economy and privatisation. In the 1999 (p.71) report, the European Commission emphasised the gradualism in the structural reforms' implementations. The European Commission further stated that ''this [structural reform] needs to be speeded up'' and ''priority should be given to the privatisation of state assets, including the two state banks'' (1999a, p.71). During the 2010s, the international pressure on Slovenia pertained. The OECD in 2015 (2015a, p.1) and the European Commission in 2017 (p.2) underlined that the high state ownership in Slovenia requires abolishment. In the 2010s, however, no such considerable privatisation-related international pressure on Turkey remained. This was mainly because Turkey successfully accelerated its privatisation program and could privatise the large (or the largest) state enterprises and assets after 2004. On the other hand, gradualism in Slovenia's privatisation still carries on. The state currently owns several large enterprises and assets that are crucial for the Slovenian economy. The discrepancy in the privatisation pathways of the two countries generates the puzzle in this thesis. The privatisation pathways of the two countries are presented in the following two subchapters.

4.2 The Privatisation Pathways in Turkey and Slovenia

4.2.1 The Acceleration of Turkey's Gradual Privatisation Program after 2004

The legal basis for privatisation was prepared by the Law No. 2983 in 1984 (Hiç *et al.*, 2009, p.121). After the preparation in 1984 for further privatisation, the sale of more than 50 % shares of state enterprises and assets was officially authorised by the introduction of Law No. 3291 (Privatisation Administration, 2018b; Palmer, 2010, p.82). Thereby, Turkey became one of the earliest countries that put privatisation on its policy agenda. Despite this earliness, high state ownership was not abolished in several industries of the Turkish economy for more than two decades.

From the mid-1980s onward, the importance of telecommunication sectors notably increased in the economy. Total telecommunication investments accounted for 166 million $ and 285 million $ in 1980 and in 1983, respectively (Akça, 2007, p.3). These investments climbed to 884 million $ in 1987 and reached its peak in 1993 by 1 billion 248 million $. These developments in the telecommunication sector took place under a significant state control as the largest telecommunication firm Türk Telekom was state-owned. Similar to the telecommunication sector, the state also had a remarkable role in the energy sector. During the 1980s, the state directed the developments in the energy sector through five-year plans (Mutluer, 1990, p.188). In the following decade, the state still had a considerable influence because several energy enterprises, like the petroleum refining company Türkiye Petrol Rafinerileri A.Ş. (Tüpraş), were state owned (European Commission, 1998, p.43). Unlike the energy sector, there were not many enterprises in the petrochemical industry. The whole petrochemical industry was mainly dominated by a single large state-owned company Petrokimya Holding A.Ş. (Petkim) for a long period. Petkim could satisfy 85 % of the domestic demand in the petrochemical industry during the 1980s (Prime Ministry State Planning Organisation, 2008, p. 13). This ratio declined to 33 % in the mid-2000s (Prime Ministry State Planning Organisation, 2008, p. 13). Eventually, the imported petrochemical goods increased (Prime Ministry State Planning Organisation, 2008, p. 13) and Petkim's role was relatively declined in the Turkish economy. The state monopoly in the tobacco industry also lasted for a long time like the petrochemical industry. The state-owned Tekel company was responsible for the whole domestic tobacco production, the tobacco distribution, and the control of foreign cigarette imports (Yürekli *et al.*, 2010, p. 16). The big influence of Tekel in the sector gradually reduced in the 1990s as certain limitations on multinational cigarette firms and on foreign cigarettes were freed (Yürekli *et al.*, 2010, p. 16). Still, the state played a notable role in the tobacco industry until the privatisation of Tekel. Another industry that the state had a dominant position was the iron and steel industry. However, the state's big influence in the iron and steel industry reduced relatively early. The state monopoly was abolished from the mid-1980s onward and the production of iron and steel was made both by private enterprises and state enterprises (DİSK, 2003, p.27). Yet, the state influence over the iron and steel industry remained because

the largest enterprise Ereğli Demir ve Çelik Fabrikaları T.A.Ş (Erdemir) was state owned for a long period.

The privatisation program, which initiated in 1984, usually covered small and medium-scale enterprises until 2004. Therefore, the state had a significant ownership in many industries for more than two decades. Over the period 1984-2004, some privatisations occurred in the telecommunication, electricity, cement, iron and steel, and energy industries (Palmer, 2010, p.81). Some share sales to private owners implemented in the airport services, the ground services, and the public banks, as well (Palmer, 2011, p.81). Nevertheless, most of the large enterprises and assets like Türk Telekom, Tüpraş, Petkim, Tekel, Erdemir, State railways port facility Izmir, and Atatürk Airport were excluded from the privatisation program between 1984 and 2004. In this time-span, only one large state-owned petroleum company Petrol Ofisi A.Ş. (Poaş) was privatised through the sale of its 51 % shares in 2000 (Kanca, 2016, p.19). Therefore, only the privatisation revenues belonging to the year 2000 are relatively high until 2004, as seen in Table 1.

The low privatisation revenues were replaced with high privatisation revenues from 2005 onwards when the Justice and Development (AKP) party was in power. The AKP, which came to power in 2002, implemented the privatisation of many large enterprises and assets after 2004. Thus, from 2005 onward, the revenues have sky-rocketed. According to Table 1, over the period 1985-2004, marginally above 9.4 billion $ were attained from privatisation. Between 2005 and 2017, total privatisation revenues reached approximately 59 billion $ as indicated by Table 1.

The privatisation of Türk Telekom was one of the most outstanding privatisation actions of 2005. The state acquired 6.5 billion $ of revenues through the sale of its largest telecommunication company Türk Telekom's 55 % shares alone (Privatisation Administration, 2018c). The privatisation of Tüpraş and Erdemir was also achieved in 2005 (European Commission, 2006, p.28; Tüpraş, 2017, p.41). The European Commission (2007, p.28) admitted great progress in privatisation but also accentuated the unfinished privatisation program in 2007 assessments. In 2007 and 2008, further privatisations of the large enterprises and assets continued. Petkim, Tekel, and the State railways port facility Izmir were sold for 1.9 billion €, 1.64 billion €, and 1 billion € respectively (European Commission, 2008, p.33). In addition, Türk Telekom's additional 15 % of shares were sold to private owners for 1.3 billion € (European Commission, 2008, p.33). The year 2013 is another salient year for privatisation because of the high revenues. As Table 1 shows, the highest privatisation revenue, almost 12.5 billion $ was obtained in 2013. This revenue was achieved through the sale of four large enterprises in the electricity sector, two large enterprises in the natural gas sector, and two big thermal power plants (Sabah, 2013). These high revenues led the European Commission (2014b, p.23) to acknowledge the acceleration of Turkey's privatisation program in 2014.

To sum up, 2005 was a milestone year for the Turkish privatisation experience. Turkey implemented a gradual privatisation program until 2004 as the state did not lose its controlling shares in many large enterprises and assets. The gradual approach to privatisation was abolished after 2004. Most of the large enterprises and assets were privatised over the period 2005-2017. Hence, the privatisation program was accelerated from 2005 onward and completed in 2017.

Table 1: Privatisation revenues between 1985 and 2017

Years	Privatisation Revenues (in terms of million $)	Years	Privatisation Revenues (in terms of million $)	Years	Privatisation Revenues (in terms of million $)
1985-88	28	1998	1020	2008	6296
1989	131	1999	38	2009	2274
1990	486	2000	2717	2010	3085
1991	243	2001	130	2011	1358
1992	422	2002	536	2012	3020
1993	565	2003	172	2013	12486
1994	411	2004	1266	2014	6384
1995	573	2005	8209	2015	1980
1996	292	2006	8094	2016	1320
1997	466	2007	4259	2017	223

Source: Privatisation Administration (2018a); European Commission, (2018b, p.56)

4.2.2 Slovenia's Gradual Privatisation Program

In the aftermath of Slovenia's independence from Yugoslavia in 1991, the ''Law on the Transformation of Social Ownership'' (the law on privatisation) was enacted on 11 November 1992 (Coronna *et al.*, 1993, p.272; Mencinger, 2006, p.69). Once the privatisation of social ownership was recognised in legal terms, privatisation attempts began to take place in the early 1990s (Mencinger, 2006). These attempts created a partial private sector in Slovenia, but they also entailed a remarkable state ownership in the economy (Mencinger, 2006). Since then, this remarkable state ownership has been reducing gradually. The privatisation program has not been accelerated for more than two decades. Therefore, the state still owns a non-negligible number of large (or the largest) enterprises and assets. The most outstanding state ownerships are in the telecommunication sector, the insurance sector, the banking sector, the energy sector, and the commercial port.

The telecommunication sector improved during the 1990s as the telecommunication infrastructure advanced (European Commission, 1999a, p.36). The rising penetration of the telephone line and the enhancement of the digitalisation rate were both examples of infrastructural advancement (European

Commission, 1997, p.64). Despite these improvements, the sector was still lacking full liberalisation in the 1990s and there was a significant state influence on the sector through the largest telecommunication enterprise Telekom Slovenije, which was state-owned (European Commission, 1999a, p.36). Similar to the telecommunication sector, the insurance sector required the implementation of considerable liberalisation policies in the 1990s (European Commission, 2000, p.23). For instance, the insurance subsidiaries could not be owned by foreigners (European Commission, 1999a, p.33). The sector was also lacking transparency when it came to sectoral regulations (European Commission, 1997, p.53). The non-existence of any progress in privatisation was another point of criticism from the EU (European Commission, 1999a, p.73). In this respect, state ownership in the largest insurance company Zavarovalnica Triglav was one of the most outstanding pieces of evidence for the lack of progress in privatisation. In the banking sector, more progress was made in liberalisation relative to the insurance sector during the 1990s. For enhancing the competitiveness, restrictions on deposit competition between banks were eliminated (European Commission, 1999a, p.23). Steps were also taken to permit foreign banks to establish their branches in Slovenia for including the foreign banks into the competition (European Commission, 1999a, p.23). Still, the liberalisation of the sector was not completed. The financial independence of The Central Bank (the Bank of Slovenia) was not entirely ensured yet (European Commission, 2000, p.52) and the state had a remarkable influence over the banking sector. Thus, the EU underlined the necessity for the privatisation of the two largest banks Nova Ljubljanska banka (NLB) and Nova Kreditna banka Maribor (NKBM) (European Commission, 1999a, p.26). Similar to the banking sector, the EU also attached importance to rise of sectoral competitiveness in the energy sector (European Commission, 2000, p.56). The competition in the energy sector has been improving steadily during the 1990s (European Commission, 2000, p.56). The growing competition was not the only progress in the energy sector. The legislative framework was almost completely prepared to comply with the EU's energy policy (European Commission, 2000, p.56). Still, the EU underlined the need for implementing privatisations in the sector, especially regarding the oil refinery Nafta Lendava, in which its 45 % of shares were state-owned (European Commission, 1999a, p.44; European Commission, 2000, p.57). The remaining 55 % of shares were owned by a large oil company *Petrol*, which was also a state-owned company (Williams, 1998; European Commission, 2013, p.3 – emphasis added). The significant state ownership in the energy sector was not limited to the enterprises or assets relating to petroleum. The largest electricity company Holding Slovenske Elektrarne (HSE) and many other companies were also owned by the state since the 1990s (ECFIN, 2013, p.3). Overall, throughout the 1990s, there was a significant state influence over the telecommunication, insurance, banking, and energy sectors due to state ownership over the large enterprises.

The state's remarkable ownership over certain key sectors, which were mentioned above, did not abolish after the 1990s, despite some attempts for privatisation and international pressure. In the early 2000s, 34 % of shares of the largest bank NLB were sold to the Belgian KBC bank, but later on, the KBC bank

retreated its 34 % of shares. In 2004, the IMF pressured Slovenia by criticising the further deceleration of the privatisation program (p.41). Privatising the two largest banks (NLB, NKBM), the largest insurance company (Zavarovalnica Triglav), and large companies in the electrical energy sector was also in the agenda in 2005 (Mencinger, 2006, p.27). These companies, however, did not privatise. The IMF was still pressuring Slovenia for the implementation of privatisations over large companies in the banking and insurance sectors in 2007 (p.16) and in 2009 (p.6). Table 2 shows the significant ownership of the state in the economy during the early 2010s. Compared to privatisation revenues in Turkey (demonstrated in the previous subchapter), the values in Table 2 can seem low. Nevertheless, considering that Turkey's GDP (857,7 billion $) is almost 20 times higher than Slovenia's (43,99 billion $), approximately 11,7 billion $ of state ownership is high for Slovenia.

In 2013, an important step was taken for the acceleration of privatisation. The proposal of privatising 15 state companies was approved by the Parliament. The list involved Telekom Slovenije, NKBM, some small state companies, and the minority stakes of the state in some companies (European Commission, 2013, p.7). The international pressure on Slovenia further increased in the aftermath of 2013 as a reaction against the ongoing high state ownership. The European Commission began to set expected-deadlines for the privatisation of large companies as follows: ''privatisation of Telekom Slovenije is expected to be completed by July 2014 in line with governments' commitment'' (European Commission, 2014a, p.19). The state remained the owner of Telekom Slovenije in 2014. Therefore, for the privatisation of Telekom Slovenije, the European Commission set a new expected-deadline, which was April 2015 (p.34). The same applied for NKBM and Abanka (the third largest bank). The expected-deadlines for the privatisation of NKBM and for the privatisation of Abanka were March 2015 and January 2016, respectively (European Commission, 2015, p.34 & p.72). Among the three large enterprises (Telekom Slovenije, NKBM, Abanka), only the privatisation of NKBM was carried out in April 2016, which was later than the expected date (European Commission, 2017, p.30).

Currently, the following enterprises are some of the key and largest enterprises owned by the state: Telekom Slovenije, Zavarovalnica Triglav, NLB, Abanka, Nafta Lendava, Petrol, HSE. In addition, the only commercial port of Slovenia, Port of Kuper, is owned by the state. The significant state ownership in the economy persisted for more than two decades. Hence, the privatisation program of Slovenia has been gradual for more than two decades.

Table 2: The Values of Stakes belonging to the Slovenian State in Industries

Industries that State has direct or indirect stakes	Book Values on 31 December 2012 (in terms of dollars)
Energy	4,245,409,834
Transport & Infrastructure	3,595,305,180
Special purpose companies	1,825,779,345
Telecommunications & Post Service	966,118,415
Finance	938,222,138
Portfolio Investments	158,695,473
Others	46,028,989
Total	**11,775,559,374**

Source: Slovenska Odškodninska Družba, d. d. (2013, p.15)

4.3 Testing Social Constructivism in the Turkish Privatisation Pathway

Socialisation of the AKP government during its early years

The AKP is a consequence of the 2001 Turkish Economic Crisis. The political and economic background that gave rise to the crisis will be considered in the following sections. However, at this point, it is important to consider its main political outcomes to understand how a political platform was formed to give birth to the AKP. The 2001 crisis led the incumbent coalition government to call early elections in 2002, which ruined the previously existing inter-party dynamics (Gazeteduvar, 2017). The three coalition partners of the government prior to the 2002 elections – DSP, MHP, ANAP – could not pass the 10 % election threshold (Habertürk, 2002). Two of them, the MHP and the ANAP, were both right-wing parties. Moreover, the two additional right-wing parties – the Virtue Party (FP) and the True Path Party (DYP) – as well, failed to gain enough votes to represent their voters in the parliament (Habertürk, 2002). These details are noteworthy because the right-wing politics in Turkey mainly represent two main ideologies: political Islam and neoliberalism – the ideologies with which AKP is associated. Since all the (former) representative parties of the right-wing politics could not gain seats at the Parliament due to the election threshold, a ‘‘void’’ in the Turkish politics was formed for a new-born party to represent the right-wing voters in Turkey. The AKP became the new representative party of political Islam and particularly neoliberalism in the Turkish politics from 2002 onward.

The AKP had an outstanding commitment to neoliberal economic policies. Perhaps the acceleration of the privatisation program was the neoliberal policy to which the AKP attached the most importance. The governmental program of Turkey’s 59th Government indicates the remarkable commitment of the AKP government to the privatisation policy and its acceleration: ‘‘The fundamental aim of privatisation

is to form the necessary conditions for the functioning of the market economy and to raise activity and efficiency. The economic role of the state is to constitute essential, regulatory, and supervisory mechanisms for the market economy to function. Our government, which is decisive in privatisation of state enterprises, will constitute the policies that *accelerate the privatisation process and its implementation*, and will take necessary measures. We attach importance to privatisation. The privatisation law and administration will be designed corresponding to international standards'' (TBMM, 2003 – emphasis added – own translation). This section from the governmental program, and the particular emphasis on the acceleration of privatisation it contains, directly shows the pro-privatisation stance of the AKP government in its early years. Hence, this pro-privatisation stance is a supportive evidence for the causal link in Hypothesis 2, which concerns the successful socialisation of the incumbent Turkish government with the privatisation norm.

Reputational cost calculation of the AKP government

Although the AKP government was successfully socialised with the international privatisation norm, starting from its early years from a social constructivist perspective, the privatisation process did not take place directly after they came to power. Instead of implementing privatisations in the first place, the primary focus of the AKP government was to improve the Turkish democracy. Many political reforms were carried out between 2002 and 2006 (Freedom House, 2013a & 2013b & 2013c & 2013d). Thereby, media freedom, minority rights, civil liberties, and civilian control of military were notably improved in Turkey (Freedom House, 2013a & 2013b & 2013c & 2013d). These political reforms also impacted substantially the EU-Turkey relations. Turkey, which became a candidate state for joining the EU in the 1999 Helsinki Summit, fulfilled the Copenhagen political criterion for the EU accession by implementing the political reforms mentioned above. In the 2005 progress report (p.3), the European Commission announced that ''Turkey sufficiently fulfils the Copenhagen criteria to open accession negotiations […]. The European Council invites the Commission to present the Council a proposal for a framework for negotiations with Turkey with a view to opening negotiations on 3 October 2005''. Officially, on 3rd of October, the EU opened accession negotiations with Turkey (Republic of Turkey Ministry of Foreign Affairs, 2011).

The period over 1999-2005 is defined as the ''golden age'' of the EU-Turkey relations by Düzgit and Kaliber (2016, p.1). Throughout the golden age, Turkey had the highest possibility of getting accession to EU membership. Thus, the EU or EU-related committee reports can be considered to have the highest international reputational costs for Turkey during this period. One of the criteria for accession is the presence of a ''functioning market economy''. Therefore, high state ownership was an issue that particularly concerned the EU. In 2004, the Economic Policy Committee (EPC) published a report regarding the structural challenges that the three candidate countries – Turkey, Romania, and Bulgaria – faced. The EPC report repeatedly emphasized the significant state ownership in different sectors of

the Turkish economy (2004; p.4 & p.21 & p.22 & p.26). By underlining the lack of political support on privatisation in the previous periods, the EPC pressured the incumbent government to support privatisation, particularly in banking, telecommunication, mining, and steel sectors (2004, p.4). The report also highlighted how low the privatisation revenues were in Turkey, even relative to Bulgaria and Romania between 1996 and 2003 by presenting the following table:

Table 3: Privatisation receipts (as % of GDP)

	1996	1997	1998	1999	2000	2001	2002	2003
Bulgaria	0.8	3.1	1.6	2.1	1.3	2.2	:	:
Romania	1	2.4	1.8	3.2	0.6	0.7	0.1	:
Turkey	0.2	0.2	0.6	0.02	1.8	0.1	0.2	0.1

Source: EPC (2004, p.21)

In 2003 (p.51 & p.73), the European Commission highlighted its anxiety on the state monopoly in several aspects of the Turkish economy and the necessity for privatisation. By referring to the 2003 progress report, the European Commission criticised the remarkably low progress in privatisation in 2004 (p.118). The overall criticisms of the EU or EU-related organisations implies that the non-privatisation of large enterprises and assets caused a significant international reputational cost to Turkey before the acceleration of privatisation program in 2005 as stated in Hypothesis 8.

Privatisation of large enterprises and assets began to be implemented, during the AKP government starting from 2005. Between 2005 and the 2007 elections, three large enterprises – Türk Telekom, Erdemir, Tüpraş – were privatised. The notable increase in the privatisation revenues was praised by the European Commission in 2007 (p.26 & p.27). However, it was not clear whether these acts of privatisation would be praised by the society or not prior to elections. The elections held in 2007 and the AKP managed to maintain domestic support for the party. The AKP votes rose from 34.2 % (in the 2002 elections) to 46.5 % in 2007 (Habertürk, 2002; Habertürk, 2007). In the forthcoming years, more privatisation transactions were carried out. The privatisation programs' acceleration in the following years did not decrease the domestic support for the AKP. In the 2011 elections, the votes received by the AKP rose to 49.8 % (Habertürk, 2011). Hence, accelerating the privatisation program did not cause domestic reputational costs for the government. The evidence points out the non-existence of domestic reputational costs and the existence of significant international reputational costs. These findings confirm Hypothesis 8, which suggests that the AKP government decided in favour of privatisation because the international reputational costs which came with non-privatisation exceeded domestic reputational costs that resulted from privatisation.

Socialisation of the AKP government during the final phase of privatisation

Since AKP could consolidate their domestic support, their political stance on the privatisation issue never changed. In 2014, the Prime-Minister Ahmet Davutoğlu delivered the following supportive discourse on privatisation (Sabah, 2014 – own translation): ‘‘Withdrawal of the state from several [economic] fields are necessary. In the recent period, privatisation has provided a significant fund for the development of our economy. Now we are evaluating further steps to be taken in the forthcoming period. Moreover, we will work on the effective transfer of the privatisation revenues to productive spheres’’. This supportive speech indicates that shortly before the privatisation program was almost finalised, the government was still socialised with the privatisation norm. Pro-privatisation stance and pro-privatisation opinions of the AKP government have been persisting since the early years of the government. In this respect, Hypothesis 2 is verified because the government was socialised either in its early years of ruling or in the final phase of privatisation program.

Internalisation at the political level in Turkey

Successful socialisation of the government does not mean that the political dispute over privatisation has come to an end in Turkey. Recently, the AKP government announced the decision to privatise 14 sugar factories owned by the public Türkşeker company on 21 February 2018. Two days after the announcement, Republican People’s Party (CHP) deputy Sezgin Tanrıkulu made a request to the presidency of national assembly for the establishment of an investigation commission for the privatisation of sugar factories (Cumhuriyet, 2018). Tanrıkulu stated that the sugar factories should not be transferred to the private sector since they provide employment opportunities, slow down domestic migration – particularly in the East Anatolian region – and contribute to the reduction of differences in regional development levels (Cumhuriyet, 2018). Moreover, the President of CHP Kemal Kılıçdaroğlu opposed the privatisation of sugar factories due to the strategic importance of sugar for the Turkish economy (TRT, 2018). The President of the Turkish Republic, Recep Tayyip Erdoğan, responded to the criticisms on the privatisation of sugar factories by the following statement (Hürriyet, 2018 – own translation): ‘‘We have to privatise these companies. They are bankrupt and harmful to our state. We will not harm anyone while privatising them as we have not been harming anyone since 2002. The workers will certainly not lose their jobs. This will be guaranteed by contracts. The sugar producers also will be affected by privatisation since the factories will not shut down.’’. These recent political disputes show that privatisation, which has been taking place since 1984, is still at the core of debate in 2018. Therefore, the evidence rejects Hypothesis 4. Even though the government has successfully socialised and Turkey has accelerated its privatisation program after 2004, the privatisation norm has still not been internalised in Turkey at the political level.

Opposing domestic actors in Turkey

The opposition to the privatisation decision of 14 sugar factories was not limited to the political arena. At the societal level, opposition emerged from various domestic actors. For instance, demonstrations against privatisation of sugar factories took place on March 29, 2018 in Eskişehir, on March 31, 2018 in Kırklareli, and on April 7, 2018 in Çorum (CNNtürk, 2018; Milliyet, 2018a; Milliyet, 2018b). Masses of trade unions, non-governmental organisations, and citizens participated in these demonstrations (CNNtürk, 2018; Milliyet, 2018a; Milliyet, 2018b). Columnists were other domestic actors opposing the privatisation of sugar factories by the opinionated newspaper articles they published. According to Önder Algedik's (Gazeteduvar, 2018) article, the privatisation of 14 sugar factories would only serve the interests of the large ''imperialist'' companies. He further argued that once the sugar factories were privatised, the production of sugar would decline, since either the new private owner would shut down the factories or reduce production. As a result, Turkey would become a sugar import-dependant country. The rise in sugar imports would correspond to increase in the profits of large imperialist companies exploiting the Turkish economy (Gazeteduvar, 2018). Another opinionated newspaper article was published by İskender Özturanlı (Birgün, 2018). He argued that privatisation is a neoliberal mantra that is supposed to solve every problem. Every privatisation wave, rather, increases poverty, ignorance, and inequality within the society (Birgün, 2018). Despite the criticisms of privatisation by these newspaper articles and the demonstrations against privatisation of sugar factories were existent, the privatisation of these factories currently continues. The evidence indicates that privatisation can occur without the passivation of opposing domestic actors. Still, the presence of opposing domestic actors rejects Hypothesis 6 because the international pressure groups, states or organisations could not passivize these actors at the societal level.

4.4 Testing Historical Institutionalism in the Turkish Privatisation Pathway

Endogenous shock(s) in Turkey

The 1990s are widely termed as the lost decade of Turkey (Demir, 2004, p.856; Görmez *et al.*, 2009, p.16; Taşpınar, 2011 p.4) because of endless political and economic crises. In economic terms, the inflation rate never declined below 60 % (World Bank dataset, 2018a). The year 1994 was particularly destructive for the Turkish economy: The Turkish lira was over 50 % weaker than the US dollar, interest rates were soaring, and half of the Central Bank reserves were gone (Celasun, 1998, p.2). In political terms, effective governance was lacking as a result of unstable and weak coalition governments (Öniş, 2003, p.3). Only within the 1990s, the total number of governments formed totalled nine. Most of these governments did not survive for more than a year. In 1993, the eighth Turkish President, Turgut Özal, passed away while he was still in the office. Moreover, the incumbency of the 54th government

(constituted by the coalition of the Welfare Party (RP) and the DYP) was interrupted by the military coup of 1997. Overall the 1990s passed with endogenous political and economic shocks (crises). These crises in the Turkish political economy reached its peak when the President Ahmet Necdet Sezer threw the Constitution at the Prime-Minister Bülent Ecevit during the National Security Council Meeting on 19 February 2001. This political crisis increased speculations in the Turkish economy and lead to extensive capital outflows (Öniş, 2003, p.4). In February 2001, interest rates rose to 7500 % (Paratic, 2017). Approximately 15 thousand companies were bankrupted (Paratic, 2017). Unemployment climbed significantly and 1 million people lost their jobs (Öniş, 2003, p.15; World Bank dataset, 2018b). The inflation rates were continued to be high. While Turkey contended with the biggest economic crisis in its history, the incumbent government invited Kemal Derviş (the transnational bureaucrat at the World Bank) to Turkey to deal with the endogenous economic problems (Koch *et al.*, 2001; Öniş, 2011, p.715; Arpac & Bird, 2009, p.142). Derviş became the Minister of Economic Affairs in March 2001. On the 3rd of May, he sent the Letter of Intent to the IMF. The letter concerned the economic policies that would be implemented to recover the Turkish economy and to resolve the crisis under his Ministry (Dervis & Serdengecti, 2001). These economic policies were the conditions imposed by the IMF in return for loans provided through a stand-by agreement. The following statement shows that one of the most salient economic policies was the acceleration of privatisation by selling large state enterprises and assets to private owners: ‘‘Actions for the remainder of 2001 will focus on completing all preparatory work for privatisation of majority stakes in key state enterprises including Turk Telekom, TUPRAS (petroleum refineries), Turkish Airlines (THY), ERDEMIR (steel), TEKEL (tobacco and spirits), SEKER (sugar), and electricity generation (TEAS) and electricity distribution (TEDAS)’’ (Dervis & Serdengecti, 2001). Many of the economic policies and particularly the privatisation-related policies pursued under the Ministry of Derviş before 2002 elections have been successfully carried out in the AKP government period from the 2002 election and onward. The evidence verifies Hypothesis 14 because it indicates that endogenous shocks in the 1990s and in 2001 disturbed the institutional equilibrium in the non-privatisation institution. The non-privatisation institution was replaced by privatisation institution later on.

Lock-in and self-reinforcement features in Turkey

To replace the non-privatisation institution by the privatisation institution, the AKP government implemented several laws against the non-privatisation institution (Öniş, 2011). The bureaucratic restrictions on foreign direct investment was removed by the Foreign Investment Law No. 4875 in 2003 (Öniş, 2011, p.718), and thereby, one of the main restrictions on privatisation was abolished because foreign investors could freely buy state owned enterprises and assets after the introduction of this law. The AKP also enacted enterprise-specific laws to address restrictions and regulations regarding specific enterprises. For instance, the Law No. 5189 abolished the restrictions on foreign ownership over Türk

Telekom (Privatisation Administration, 2018c). Another law introduced concerning Türk Telekom was Law No. 7931, which permitted the sale of more than 55 % of shares belonging to the enterprise (Privatisation Administration, 2018c). At this point, it is noteworthy that the AKP government never was confronted with any remarkable parliamentary opposition that could have been effective in blocking the enactment of privatisation-related laws. This was because the AKP had the majority of the seats in parliament. Parliamentary opposition to privatisation remained ineffective in all practical terms. As a result, utilizing its dominant position in Turkish politics, the AKP government had successfully terminated the lock-in feature of the non-privatisation institution.

The lock-in feature of the non-privatisation institution was abolished during the mid-2000s. In the same time-period, however, the non-privatisation institution had already lost another crucial feature: self-reinforcement. In other words, the mixed economy institutions strengthening non-privatisation in Turkey had already disappeared in the mid-2000s. Trade restrictions, which are typical in mixed economies, no longer existed from 1996 onward. The finalisation of the Customs Union between Turkey and the EU eliminated high import quotas as well as quantity restrictions imposed on the EU imports in 1996 (Öniş, 2009, p.413). Regarding the non-EU imports, Turkey began to follow the Common External Tariffs against the 3rd countries (the non-EU member countries) with EU countries. Hence, trade in Turkey was already as liberal as trade in the EU by the mid-2000s. Another previously-annihilated mixed economy institution was the managed float regime. In the aftermath of the 2001 crisis, one of the conditions imposed by the IMF was the establishment of a (freely) floating exchange rate regime (Derviş & Serdengeçti, 2002). Therefore, Turkey replaced managed float with a floating exchange rate regime from 2001 onward. Furthermore, both the reduction of price controls and the convertibility of the Turkish lira date back to 1980s (Hiç *et al.*, 2009). Considering these trade and market related developments which occurred up to the mid-2000s, the non-privatisation institution was the only mixed economy feature persisting in Turkey. This highlights the vanished self-reinforcement feature of the non-privatisation institution, just like its vanished lock-in feature before the acceleration of Turkey's privatisation program. The acceleration of privatisation during the mid-2000s after the non-privatisation institution had already lost its lock-in and self-reinforcement features, act as direct evidence confirming Hypothesis 12.

Material cost calculation of the AKP government

Since the lock-in and self-reinforcement features of the non-privatisation institution were abolished, and the AKP had the absolute majority in the parliament, the political and economic setting for privatising large enterprises and assets was very favourable for the AKP government in the mid-2000s. Apart from the setting, however, a key question could have been asked by the government: Is it beneficial to privatise large enterprises and assets from a material standpoint?

Net profits/losses of Tüpraş, Petkim, and Türk Telekom are shown in Table 4, Table 5, and Table 6, respectively, in years before they were privatised. Tüpraş was certainly not a loss-making enterprise prior to its privatisation (Table 4). Rising trend in profits of Tüpraş is observed from 2002 onward. Table 5 shows relatively low profits of Petkim, but it has never made a loss between 2002 and 2006. Türk Telekom requires a particular attention. As is visible in Table 6, net profits of the company were considerably high especially during the last two years before privatisation. Not to mention the continual upward trend in their profits.

Table 4: Net Profit/Loss of Tüpraş

Years	2000	2001	2002	2003	2004
Net Profit/Loss (in Million Dollars)	175	135	125	312	491

Source: Hürriyet (2002); Hürriyet, (2004); Tüpraş (2005, p. 13)

Table 5: Net Profit/Loss of Petkim

Years	2002	2003	2004	2005	2006
Net Profit/Loss (in Million Dollars)	1	183	46	73	41

Source: Petkim 2006 Annual Report (2006, p.9)

Table 6: Net profit/Loss of Türk Telekom

Years	1997	1998	1999	2000	2001	2002	2003	2004
Net Profit/Loss (in Million dollars)	122	296	297	292	1,096	1,141	2,710	2,517

Source: Telekomcular Derneği (2017)

Table 7: Net Profit/Loss of Erdemir

Years	2000	2001	2002	2003	2004
Net Profit/Loss (in million dollars)	48	-62	-31	206	425

Source: Turkish Grand National Assembly (2005)

In contrast to three enterprises discussed above, Table 7 shows that another large enterprise Erdemir caused losses for the state in 2001 and 2002. In the aftermath of 2002, the company began to make profits, similar to Tüpraş, Petkim, and Türk Telekom. Still, the privatisation of Erdemir might be explained with material cost calculation of the Turkish government due to losses it made for two years. The privatisation of Petkim, however, only be partially explained by a material cost calculation of the government, as the company never made losses but did make quite low profits nonetheless. Regarding Petkim, the government might calculate more benefits in privatising and earning a high amount of money once, rather than earning a low amount of money forever by retaining its ownership.

Possibly, the AKP government calculated the material costs for Erdemir and Petkim, and sold them accordingly. Examining the profits of Tüpraş and Türk Telekom, the possibility of a governmental cost calculation is eliminated. Consequently, the causal claim in Hypothesis 10 is weakened. In material terms, the costs of keeping the non-privatisation institution did not exceed the privatisation costs in Turkey.

4.5 Testing Social Constructivism in the Slovenian Privatisation Pathway

The unsuccessful socialisation of the Slovenian governments

While the communist and the authoritarian organisations in Yugoslavia were weakening in the late 1980s, the initial political parties representing different left and right-wing political stances emerged in the Socialist Republic of Slovenia (Zajc, 2000, p.130). These parties like Slovene Christian Democrats, Social Democrats, and The Greens as well as the parties established after the independence participated in the first elections held in the Republic of Slovenia in 1992 (Zajc, 2000, p.131). As a result of the first election, a ‘‘colourful’’ coalition government was formed. It was colourful because it was formed of parties with dissimilar ideologies (Zajc, 2000, p.132). From 1992 until nowadays, building colourful coalitions became a tradition in Slovenian politics.

Usually, it is not easy to find compromises in groups where there are distant ideological opinions. Particularly in the privatisation of large enterprises and assets, the hardship in reaching compromises among several Slovenian governments emerged. During the early and the mid-2000s, privatisation of the two largest banks NLB and NKBM was on the agenda. The 2000-2004 coalition governments' leading LDS party was in favour of privatising these banks. The pro-privatisation stance of the LDS rooted in its major ideological aim – integrating with the Europe (Lindstrom *et al.*, 2007, p.123) both politically and economically by following the prominent norms adopted by the EU countries. Two other coalition partners, ZLSD and the right-wing SLS party, opposed to selling these banks to foreign investors (Lindstrom *et al.*, 2007, p.121 & p.122; Lindstrom *et al.*, 2007, p.124). The ZLSD's opposition was relatively more significant because the SLS was convinced in privatising the second largest bank – the NKBM (Lindstrom *et al.*, 2007, p.124). However, privatising the NLB would have meant crossing the red line for SLS (Lindstrom *et al.*, 2007, p.124). While these disputes were occurring within the government, none of the two banks were privatised between 2000 and 2004. The following coalition government – formed by the parties Slovenia's Democratic Party (SDS), New Slovenia – Christian People's Party (NSi), SLS, and DeSUS over the period 2004-2008 – had also inside disputes concerning privatisation. The dispute within the government emerged during the preparation of the privatisation of Telekom Slovenije. The SDS and the NSi were two parties which advocated privatisation (Czech Radio, 2008). On the other hand, the DeSUS and the SLS opposed the transfer of Slovenia's largest telecommunication enterprise Telekom Slovenije to foreign owners (Czech Radio, 2008). These inside-

disputes, which occurred within the two coalition governments, were some of the reasons why certain large enterprises and assets did not privatise until the 2010s.

The situation did not remarkably change in the 2010s. The governmental disputes still contributed to the persistence of remarkable state ownership in the economy. The three coalition partners – the SMC, the DeSUS, and the SD – of the government which ruled over the period 2014-2018 were negotiating the privatisation of the largest insurance company Zavarovalnica Triglav in 2015 (Slovenia Times, 2015). The SMC and the SD were in favour of downgrading the ‘‘strategic asset’’ status of Zavarovalnica Triglav to an ‘‘important state’’ status so that the states’ shareholding could have declined from at least 50 % plus one shares to 25 % plus one shares (Slovenia Times, 2015; Slovenski Drzavni Holding, 2015). The stance of the DeSUS on this issue was the totally opposite: The DeSUS deputy group leader, Franc Jursa, proclaimed that the DeSUS objects, either fully or partly, to the sale of states’ 50 % + 1 share in Zavarovalnica Triglav (Slovenia Times, 2015). Once again, the disputes within the government assisted to the endurance of state ownership in a large enterprise – Zavarovalnica Triglav.

What has been discussed so far regarding the unsuccessfully socialised governments confirms Hypothesis 1 because the presence of opposing opinions and stances to the privatisation norm within a government indicates its unsuccessful socialisation with the privatisation norm. The opposing opinions and behaviours within a government to an internationally prevailing norm does not go unpunished in international relations. These ‘‘punishments’’ are basically the international reputational costs emerging as a result of becoming a norm-breaker government.

Reputational Cost Calculations of the Slovenian Governments

The most salient privatisation-related international reputational costs arose for the coalition government ruled between 2000 and 2004. This time-frame was the last four years before Slovenia’s accession to the EU. Therefore, Slovenia had to convince the EU authorities that the country complies with the EU standards in all aspects. One of these aspects was adopting the international privatisation norm, which was strongly promoted by the EU. The reaction of the EU against the unsuccessful socialisation of the incumbent Slovenian government with the privatisation norm was attacking on the international reputation of the government through the following accusatorial statement: ‘‘… the privatisation process of the major and state-owned insurance company has not started yet, although in May 2002 Parliament adopted a new law for ownership transformation that should finally pave the way for reform in this sector. The banking sector continues to be dominated by two state-owned banks and there is little foreign competition, although it is slowly increasing. The privatisation process in this sector has now started but not without problems, *as the government stopped the privatisation process of one of the banks and altered the privatisation plan of the other one in the final stages of the process.*’’ (European Commission, 2002a, p.31 – emphasis added).

Privatisation was, however, not the only topic that the incumbent Slovenian government received comments by organisational platforms. The EU and the IMF put forward their views on most of the occurring economic and political developments. Regarding these developments, the two organisations had very positive approaches, contrary to their negative critiques on privatisation-related developments. In political respect, the government received considerable praise. Since the time when Slovenia fulfilled the Copenhagen political criterion in 1997, the EU underlined remarkable progress made in ‘‘further consolidating and deepening the stability of its institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities’’ (European Commission, 2002a, p.28). Significant progresses in economic aspects were also highlighted. For instance, the European Commission (2002a, p.35) stated that government budget deficits minimized in 2001. Compared to previous years, the European Commission also noted that the unemployment rate reached its lowest level in Slovenia by 2001 (2002a, p.34). Another praise was IMF-originated: the disinflationary progress was even more than the IMF staffs' anticipations (IMF, 2004, p. 4). What these positive comments on the incumbent government mean is that the declining international reputation of the government due to non-privatisation was compensated with the overall rise in its international reputation.

International reputational costs caused by the persisting non-privatisation also existed for the subsequent coalition government of the period 2004-2008. The IMF (2007, p.19), for instance, criticised the government by underlining the absence of a clear strategy to implement the privatisation of the largest banks. Unlike in the period 2000-2004, the incumbent government lacked organisational praise to compensate the existent international reputational cost. The main reason was that the Slovenian economy was negatively affected by the 2007-2008 Financial Crisis. Instead of a compensation, the evidence rather indicates that domestic costs for privatisation was calculated as being costlier than the international reputational cost by the incumbent Slovenian government (2004-2008). Table 8 demonstrates the sharp decline in the votes of the LDS party, which was the leading party of the 2000-2004 coalition. One of the most notable features of the LDS party was that it was a big promoter of privatisation (Lindstrom *et al.*, 2007, p.123). As the votes of a former leading pro-privatisation party declined from 36.21 % to 22.80 %, the incumbent SDS-NSi-DeSUS-SLS government of the period recognised the possible risks for implementing or strongly supporting privatisation. Therefore, the incumbent government decided against privatisation as domestic reputational costs which would have come with the privatisation would have exceeded international reputational costs. As a result, the leading SDS party could keep its votes in the 2008 elections (Table 8).

Table 8: Votes received by the leading pro-privatisation parties in coalition governments

	2000	2004	2008	2014	2018
LDS	36.21 %	22.80 %	5.21 %	:	:
SDS	:	29.08 %	29.26 %	:	:
SMC	:	:	:	34.61 %	9.75 %

Source: Državna Volilna Komisija (2018)

In the mid-2010s, the ongoing gradualism in privatisation was emphasised by the IMF once again and it caused international reputational costs for the 2014-2018 government. According to the IMF (2017, p.3), the acceleration of privatisation remains one of the substantial policy priorities for Slovenia. The slowness in privatisation and the high state ownership in key sectors of the economy not only drew the attention of the EU and the IMF, but it also drew the attention of different kind of international actors. In one of the articles published in Reuters by Novak, the necessity for the Slovenian state to lose the controlling stakes in companies that occupy significant places in the market was mentioned (Reuters, 2015a). Another criticism was raised by Turkey which is one of the Slovenian trade partner countries (Evrensel, 2015). In 2015, at the Labour Summit held between the President of Turkey, Recep Tayyip Erdoğan, and the President of Slovenia, Borut Pahor, President Erdoğan gave following recommendations to Slovenia on privatisation: ‘‘I know that in the recent period, there were some privatisation efforts in Slovenia. Let me tell you about our own experiences. When we [the AKP government] took over the office 12 years ago, the prior governments did unfortunately not act bravely. Thus, the anticipated privatisation was not actualised so that the Turkish economy constantly retrogress. We have been blamed a lot by the columnists and public protests. Still, we carried on the path of privatisation bravely. We knew that if we privatise the enterprises, Turkey would win. The privatised enterprises provided employment opportunities, tax funds, and increased the reputation of Turkey in the international markets’’ (Evrensel, 2015 – own translation).

The criticisms put on Slovenia through different international actors indicates the existence of a remarkable privatisation-related international reputational cost for the incumbent coalition government over 2014-2018. To some extent, the declining international reputation of the government lead to minor progress in privatisation. The second largest bank NKBM privatised in 2016 and the negotiations on privatising the remaining large state enterprises and assets proceeded. However, the leading SMC party ended up with large domestic reputational costs, as its votes declined from 34.61 % to 9.75 % (Table 8).

Overall, among the three investigated coalition governments, the 2004-2008 government confirms Hypothesis 7. The findings in the two other analysed governments, the 2000-2004 and 2014-2018 governments, neither reject nor confirm Hypothesis 7. However, the findings for these two governments provide important insights about the Slovenian case: as long as a leading party in the coalition is either

a strong advocator or an implementor of privatisation of large enterprises and assets, the party ends up with a significant domestic reputational cost which represents the loss of a big voter support.

Opposing domestic actors in Slovenia

On the one hand, privatisation of large enterprises and assets caused a big voter loss, but on the other hand, it also irritated the opposing domestic actors. The governments' 2013 decision on privatising the 15 state companies did not have the entire public support. In 2015, many societal actors marched in the capital city Ljubljana for protesting against the governments' privatisation program that has been taken place since 2013 (Reuters, 2015b; Sawicki, 2015). Approximately 3,000 people, including trade unions and former researcher Ziva Vidmar, participated in the protests (Reuters, 2015b; Visegradplus, 2015). Vidmar highlighted that privatisation is a zero-sum game for Slovenia: according to him, foreign countries seize the profits made by private firms, whereas Slovenia gets no benefits and additionally loses its enterprises and assets (Reuters, 2015b, 2015). Besides Vidmar's speech, some slogans like ''privatisation is theft'' and ''let's write off debt, not companies'' (Reuters, 2015b) remarkably demonstrated the social opposition. The evidence indicates the existence of non-passivized opposing domestic groups, as, in the forthcoming weeks after the demonstrations, the governments' plan of privatising the largest telecommunication enterprise Telekom Slovenije was not implemented (Reuters, 2015b). Consequently, supporting evidence for confirming Hypothesis 5 is found.

4.6 Testing Historical Institutionalism in the Slovenian Privatisation Pathway

Endogenous shock(s) in Slovenia

In the 1990s, one of the main economic goals of Slovenia was fulfilling the convergence criteria for joining the Economic and Monetary Union (EMU) of the EU. While Slovenia were replacing many of its socialist institutions by capitalist institutions in the 1990s, the country achieved macroeconomic stability, which was the convergence criterion for the EMU accession. In this respect, the inflation rate sharply declined from 32.9 % in 1993 to 6.1 % in 1999 (World Bank dataset, 2018c). With this disinflationary pressure, the Slovenian currency tolar appreciated (European Commission, 1999a, p.20). Another success was the low government deficit, which accounted for 1.0 % and 0.8 % of GDP in 1997 and 1998, respectively. Moreover, except for 1995, the current account was in surplus between 1992 and 1997 (European Commission, 1999a, p.22 & p.25). Because the macroeconomic indicators were in favour of the Slovenian economy, the EU acknowledged that the macroeconomic stability was assured (European Commission, 1999a, p.25). Instead of any endogenous shocks that could have punctuated the non-privatisation institution, developments against endogenous shocks occurred in Slovenia during the 1990s. As there were positive economic developments in Slovenia, the pressure of IOs related to privatisation was not very effective.

Especially in crisis times, these organisations, like the IMF and the EU, could have taken the lead in its negotiations with Slovenia and initiate stand-by agreements or bail-out programs. Both the EU and the IMF had this opportunity when the country was affected negatively by the 2007-2008 Financial Crisis. Despite detrimental developments like rising unemployment rates, inflation, and budget deficit (World Bank dataset, 2018c; World Bank dataset, 2018d; IMF, 2011, p.4), Slovenia resisted against concluding any agreements with the IMF or the EU. Besides, the 2007-2008 Financial Crisis was not an endogenously originated crisis. It was a global crisis. Still, Slovenia's resistance to conclude any agreements with the EU or the IMF shows the strength of the Slovenian economy. In a strong economy, it is less likely to anticipate such endogenous shocks. The self-recovery of the Slovenian economy during the early and mid-2010s shows the endogenous economic success of Slovenia. As rising unemployment and inflation was reversed (World Bank dataset, 2018d) in the mid-2010s, the evidence of a lack of endogenous shocks further strengthened. While confirming Hypothesis 13, the non-existence of such endogenous shocks paved the way for the continuance of a non-privatisation institutional equilibrium.

Lock-in and self-reinforcement features in Slovenia

Similar to the absence of endogenous shocks, the presence of a self-reinforcement feature would have strengthened the institutional equilibrium of non-privatisation. However, in the mid-2000s, the mixed economy institutions, which were reinforcing the non-privatisation institution, have been abolished as a consequence of Slovenia's EU integration. In 2004, Slovenia became a member of the EU (Europa, 2018), joined the customs union and began to follow the common commercial policy with the other EU members. Hence, the trade liberalised in Slovenia as much as in the EU. Moreover, from 1 January onward, Slovenia became a euro-area member (Europa, 2018), and thus, fully adopted the flexible exchange rate regime. As in the mid-2000s, the mixed economy institutions were vanished and replaced by free-market economy institutions.

The free-market economy institutions alone are not enough to vanish institutional stability of non-privatisation. Recent developments display that privatisations were still blocked by the persisting lock-in effect of non-privatisation institution. On 13 July 2015, the National Assembly ''locked-in'' the non-privatisation institution by adopting an ordinance to block privatisation. According to the Ordinance on State Assets Management Strategy (Slovenski Drzavni Holding, 2015, p.25), ''in companies classified as strategic, the state will main or obtain at least a 50 % shareholding + 1 share''. The following non-privatised assets were locked-in by giving them strategic asset status: Uradni, Loterija Slovenije, Modra Zavarovalnica, and Zavarovalnica Triglav (Slovenski Drzavni Holding, 2015, p.50). The lock-in strategy was not limited to the so-called strategic assets. ''In regard to ''important assets'', the State shall retain the controlling share (25 % equity share + one share) …'' (Slovenski Drzavni Holding, 2015, p.26). The assets which acquired important asset status were Krka, NLB, Petrol, Pozavarovalnica Sava, and Sava (Slovenski Drzavni Holding, 2015, p.50). In doing so, non-privatisation institution further

strengthened. The acceptance of this ordinance in the National Assembly is an evidence to confirm Hypothesis 11, which was based on the non-privatisation institutions' lock-in feature. Why is the non-privatisation institution locked-in within the Slovenian politics? A material perspective may answer this question.

Material cost calculations of Slovenian governments

According to material logic, if you profit, keep your source of profit. If you don't profit or even loss, then sell your non-profiting or loss-making source. This logic can simply be adapted to the Slovenian political economy. Every large enterprise in the banking, insurance, energy, and telecommunication sectors made profits very recently. Among four of these enterprises, the highest recent profits belong to the NLB Group[2] (Table 9). The high profits of Petrol and Zavarovalnica Triglav companies are presented in Table 10 and Table 11, respectively. These two tables also illustrate that the two companies' profits rose in recent years. These material profits, which returned to the state from NLB, Petrol, and Zavarovalnica Triglav explains why Slovenia is quite stubborn when it comes to privatising these companies. According to the material cost calculations of the governments, the costs arising from privatisation of these three companies would have exceeded the costs of not privatising them. Therefore, the evidence verifies Hypothesis 9. The recent statuses given to NLB, Petrol, and Zavarovalnica Triglav for locking-in their non-privatisation can also be associated with material cost calculation of the incumbent government: to avoid the privatisation costs, the government decided upon locking-in the non-privatisation of these companies.

Considering the profits of Telekom Slovenije (Table 12), the company was relatively less profitable for the state. The company's profits usually stayed at a low level, as is shown in Table 12. Moreover, Telekom Slovenije made a significant loss in 2010 (Table 12). Therefore, the found evidence on Telekom Slovenije neither verifies nor rejects Hypothesis 9.

Table 9: Net Profit/ Loss of NLB Group

Years	2014	2015	2016	2017
Net Profit/Loss of NLB (in Million Euros)	62	92	110	225

Source: NLB, (2014, p.18; 2015, p.10; 2016, p.132; 2017, p.16)

[2] A state-owned banking and financial group consist of NLB, and additional small-scale banks and financial service companies (NLB Group, 2017).

Table 10: Net Profit/Loss of Petrol

Years	2013	2014	2015	2016	2017
Net Profit/Loss of Petrol (in million euros)	53	61	65	73	81

Source: Petrol (2016, p.11; 2017, p.13)

Table 11: Net Profit/Loss of Zavarovalnica Triglav

Years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net Profit/Loss of Zavarovalnica Triglav (in Million Euros)	15	-2	32	44	50	48	46	58	75	63

Source: Triglav (2018)

Table 12: Net Profit/Loss of Telekom Slovenije (2010-2017)

Years	2010	2011	2012	2013	2014	2015	2016	2017
Net Profit/Loss of Telekom Slovenije (in Million Euros)	-237	21	49	51	18	48	40	4

Source: Telekom Slovenije (2011, p.83; 2012, p.213; 2013, p.219; 2014, p.253; 2016, p.265; 2017, p.301)

Chapter 5: Conclusion

Answering the following research question was the central aim of this thesis: How do the factors that allowed Turkey to accelerate its privatisation program after 21 years contrast with the factors that prevented Slovenia from doing the same for 27 years? To find and analyse these factors, 14 hypotheses were constructed based on the social constructivist theory and the historical intuitionalist theory. Then, these hypotheses were tested by using process-tracing and document-analysis. An overview of the results is presented in Table 13.

The results indicate that the norm life cycle approach of the social constructivist theory provides one answer to the research question. As the incumbent AKP government was successfully socialised with the privatisation norm, privatisation accelerated after 21 years in Turkey. Conversely, the Slovenian governments were unsuccessfully socialised, and therefore, privatisation remained gradual for 27 years. The norm life cycle theory, however, cannot bring up further explanations. There is no linkage between a norms' adoption and its internalisation because Turkey adopted the privatisation norm without internalising it.

Apart from the norm life cycle theory, social constructivist theory provides another explanation. For political parties in Slovenia, either being a strong proponent or being an implementor of privatisation of

large enterprises caused a huge domestic reputational cost, which represents a significant loss in the voters' support for these parties. The Turkish voters reacted differently to privatisation. The voter support for the AKP, which carried out the privatisation of large enterprises, has never dropped. While the presence of domestic reputational costs hindered the privatisation in Slovenia, the non-existence of these costs paved the way for privatisation in Turkey. Therefore, the difference between the two countries in the domestic voters' support for privatisation is one of the factors answering the research question.

The last constructivist explanation only concerns the Slovenian case. The analysis shows that the non-passivation of opposing domestic actors to privatisation in Slovenia made the acceleration of privatisation difficult. These actors were also not passivized in Turkey, but still they did not avoid the acceleration of privatisation. Therefore, opposing domestic actors cannot explain the Turkish case.

In general, the social constructivist theory provided a good deal of explanations. Socialisation and reputational cost calculation hypotheses provide explanations for both cases. The socialisation of governments and the lack of significant voter reactions against privatisation are the two essential factors for the acceleration of privatisation.

Relatively, the historical institutionalist theory has less explanatory power. It offers only one explanation relevant for both cases. The abolishment of the non-privatisation institutions' lock-in feature in Turkey paved the way for the acceleration of privatisation. In contrast, the lock-in features' existence reinforced the institutional stability of non-privatisation in Slovenia. The lock-in feature consequently blocked the acceleration of privatisation. Another historical institutionalist explanation was only related to Slovenia. The profiting largest state enterprises in Slovenia lead governments to make a material cost calculation. As a result, Slovenian governments decided in favour of non-privatisation because it was less costly than privatising these enterprises. On the other hand, although the large state enterprises were usually making profits in Turkey, the government decided upon their privatisation. Thus, the material cost analysis cannot explain the AKP governments' privatisation behaviour.

Table 13: Summary of the results

Hypothesis	Country	Result
Hypothesis 1: Socialisation	Slovenia	Confirmed
Hypothesis 2: Socialisation	Turkey	Confirmed
Hypothesis 3: Internalisation	Slovenia	Confirmed
Hypothesis 4: Internalisation	Turkey	Disconfirmed
Hypothesis 5: Opposing domestic actors	Slovenia	Confirmed
Hypothesis 6: Opposing domestic actors	Turkey	Disconfirmed
Hypothesis 7: Reputational costs	Slovenia	Confirmed
Hypothesis 8: Reputational costs	Turkey	Confirmed
Hypothesis 9: Material costs	Slovenia	Confirmed
Hypothesis 10: Material costs	Turkey	Disconfirmed
Hypothesis 11: Lock-in and Self-reinforcement	Slovenia	Confirmed
Hypothesis 12: Lock-in and Self-reinforcement	Turkey	Confirmed
Hypothesis 13: Endogenous shock(s)	Slovenia	Confirmed
Hypothesis 14: Endogenous shock(s)	Turkey	Confirmed

The explanatory power of the historical institutionalist theory is weakened the most by the confirmation of Hypothesis 14 which is related to endogenous shocks in Turkey. The historical institutionalist literature denies the possibility of institutional changes caused by endogenous shocks. According to the evidence found, the punctuation of the non-privatisation institutional equilibrium was remarkably related to the endogenous crises occurred in Turkey by the 1990s and in 2001. The results also support the causal linkage between the continuity of non-privatisation and the absence of endogenous shocks in Slovenia. As Slovenia was not in the need of reaching structural adjustment agreements with the IMF or bailout agreements with the EU, these organisations could not impose privatisation as a conditionality in return of loans. In the early 2000s, the IMF imposed the privatisation conditionality on Turkey due to the endogenous crises.

Overall, only the hypotheses relating to the lock-in feature have explanatory value for both cases in the historical institutionalist theory. The results also suggest that endogenous shocks have explanatory value for both cases as well as the lock-in feature.

The use of two different theoretical backgrounds provide an extensive approach for answering the research question. By identifying both material and non-material (ideational) reasons for privatisation and non-privatisation, this research enhances the existing knowledge on privatisation. It implies that the reasons to privatise or not to privatise are not restricted to economic framework. The reasons can also be rooted in societal, domestic political, and international political levels. In Slovenia, the continuance

of privatisation was more associated with societal and domestic political reasons. The acceleration of privatisation in Turkey was linked more to domestic political and international political triggers.

The main shortcoming of this research is the narrowness of the scope for answering the research question. The research scope was narrowed down to test fourteen hypotheses. In doing so, the possible factors influencing the two privatisation trajectories apart from the tested hypotheses were mainly excluded from the research. Another limitation of this research is the focus on two countries. Further research needs to be conducted in order to prove whether these findings are generalizable for other privatisation cases.

Moreover, for future research, it may be interesting to study the awarding effect of the EU membership. The EU could have had more impact on the privatisation trajectories of Slovenia and Turkey than only causing international reputational costs. Slovenia reached the EU accession reward without accelerating and finalising its privatisation program. However, when Turkey accelerated its gradual privatisation program in 2005, the EU membership reward was close for Turkey but not reached. Therefore, future research can focus on the questions whether Slovenia's early EU membership reward further deaccelerated its privatisation program and whether Turkey's close but never reached EU membership reward accelerated its gradual privatisation program.

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