

**STATE-BUSINESS RELATIONS IN TURKEY: THE ROLE  
OF BUSINESS ASSOCIATIONS UNDER THE AKP  
GOVERNMENT**

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**TÜRKİYE’DE DEVLET-İŞ DÜNYASI İLİŞKİLERİ:  
ADALET VE KALKINMA PARTİSİ HÜKÜMETİ  
DÖNEMİNDE İŞ ADAMLARI ÖRGÜTLERİNİN ROLÜ**

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## I. LIST OF ABBREVIATIONS

AKP – Adalet ve Kalkınma Partisi – Justice and Development Party

ASKON – Anadolu Aslanları İş Adamları Derneği – the Association of Anatolian Businessmen

EU – European Union

FP – Fazilet Partisi – Virtue Party

MÜSİAD – Müstakil Sanayici ve İş Adamları Derneği - Independent Industrialists and Businessmen Association

OECD – Organisation for Economic Cooperation and Development

TUSKON – Türkiye Sanayicileri ve İş Adamları Konfederasyonu – Turkish Confederation of Businessmen and Industrialists

TÜSİAD - Türk Sanayici ve İş Adamları Derneği - Turkish Industrialists and Business Association

RP – Refah Partisi – Welfare Party

## II. PREFACE

This dissertation is written for the completion of Master of Arts in Global Political Economy at the University of Sussex.

The purpose of this dissertation is to analyse the transformation of state-business relations in Turkey. The main problems discussed are concerned with the nature of business environment in Turkey, the role of business associations as political actors and the wider transformations in the Turkish society concerning the neoliberalisation of Turkish economy and the rise of political Islam.

This dissertation relies on secondary sources, the most important of which are the works of Buğra (1994) and Buğra and Savaşkan (2014).

Several persons have contributed academically, practically and with support to this master thesis. I would therefore firstly like to thank my supervisor Julian Germann for his valuable time and input.

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### III. ABSTRACT IN TURKISH

Bu tez, Türkiye'deki devlet-sermaye ilişkilerinin dönüşümünü analiz ederek, Adalet ve Kalkınma Partisi hükümeti altında Türkiye'nin en büyük iki işadamları derneği olan TÜSİAD ve MÜSİAD'ın rolünü anlamayı amaçlamaktadır. Bu dönüşüme katkıda bulunan iki temel faktör bulunmaktadır. Birincisi, küçük ve orta ölçekli işletmelerin ekonomik gücünü artırmalarına yardımcı olan, Türkiye ekonomisinin neoliberalizasyonudur. İkincisi ise, MÜSİAD'ın artan gücüne katkıda bulunan siyasal İslam'ın yükselişidir. Bu iki faktörü göz önüne alarak, bu tez, son yirmi yılda Türk Devleti'nin değişen yönünü, din, siyaset ve ekonominin birbiriyle etkileşimini ve Türkiye'nin politik yönüne nasıl karmaşık baskılar uyguladığını açıklamayı amaçlar.

### IV. ABSTRACT

This dissertation aims to understand the role of the two biggest business associations, TUSIAD and MUSIAD, under the AKP government by analysing the transformation of state-business relations in Turkey. There are two main factors which has contributed to this transformation. The first is the neoliberalisation of Turkish economy, which helped small- and medium-sized enterprises to increase their economic power. The second is the rise of political Islam, which contributed to the increasing power of MUSIAD. By taking these two factors into account, this dissertation shows the changing direction of the Turkish state in the last twenty years and explains how religion, politics and economy has become intertwined and exerts complicated pressures Turkey's political direction.

## V. INTRODUCTION

The history of state-business relations in Turkey has always been populated with tensions and uncertainties. As a late-industrializing country, the role of the Turkish state in the economy has been significant. Since the foundation of the Republic, the Turkish state has worked to create a national economy, together with a national bourgeoisie, which was non-existent during the Ottoman Empire. This state-created big bourgeoisie of Turkey, which is concentrated in big cities, has been a dominant actor in the economy. However, its dominant position in the economy, dependent on its relations with the state, has recently been threatened with the rise of a new Anatolian bourgeoisie.

The neoliberalisation of the Turkish economy, which started in the aftermath of the military coup in 1980, created new opportunities for small- and medium-sized enterprises in Anatolia, which had been disregarded by the state up until then. At the same time, an important factor in the rise of this new bourgeoisie was the rise of political Islam, because members of the Anatolian bourgeoisie defined themselves with Islamic values, and used their Islamic networks to support their businesses. The election of the AKP in 2002 proved to be a turning point in the changing political economy of Turkey. The AKP government, which came to power with the support of the new bourgeoisie, duly provided them with a much more central position in the national economy.

This dissertation has three aims in order to explain this transformation in the political economy of Turkey. The first is to understand the history of state-business relations in Turkey as a starting point. The second is to analyse the transformation of these relations in line with the transformations of the Turkish economy, which created a new bourgeoisie rivalling the old state-created one. The third aim is to understand the role of business associations, which are the representatives of these two groups of bourgeoisie, as political actors under the AKP government.

In order to achieve these aims, a theoretical framework by Buğra and Savaşkan will be employed to analyse the role of the state in shaping society, but also the role of business associations as political actors. Their activity in this arena demonstrates that the state is

not the only powerful political actor, thus when relations between state and business are analysed, we cannot overlook the importance of business. The transformation of state-business relations in Turkey is, thus, an outcome of the changing role of the Turkish state and the increasing political power of business.

This dissertation will analyse the relations between the two most prominent business associations of Turkey, MÜSİAD and TÜSİAD, and the state. It will argue that there are two factors behind the increasing power of MÜSİAD in comparison to TÜSİAD. Firstly, the efforts of the new bourgeoisie, represented by MÜSİAD, to increase their economic gains has been significant when their disadvantaged position in comparison to old bourgeoisie, represented by TÜSİAD, is taken into account. Secondly, the rise of political Islam has highly contributed to the aims and understanding of MÜSİAD - by using Islam, they were able to create networks of trust, solidarity and economic cooperation. It is not possible to disregard any one of these factors in analysing the transformation of state-business relations.

The structure of the dissertation is as follows: the first chapter following the introduction presents the theoretical framework of the dissertation, which will provide an analysis of different perspectives on state-business relations. The second chapter will make a review of existing literature concerned with state-business relations in Turkey and the rise of Anatolian capital. The third chapter will engage with the history of state-business relations in Turkey in an attempt to understand the changing dynamics. The fourth chapter will make a comparison between the two most prominent business associations of Turkey, TÜSİAD and MÜSİAD, in order to analyse their relationship with the AKP government and their role as political actors. Then a conclusion will be made.

## **VI. THEORETICAL FRAMEWORK**

Understanding the peculiar nature of state-business relations in Turkey, which is one of the aims of this dissertation, presents a significant challenge. In order to reach this aim, first, a theoretical framework must be constructed. In this chapter, various theoretical approaches to state-business relations will be analysed briefly in order to explain why certain approaches have been prioritised over others. Buğra and Savaşkan's approach to

state-business relations in Turkey will be employed in this dissertation in order to understand the transformation of state-business relations and the role of the business associations under the AKP government in Turkey.

The mainstream theoretical approaches to the state-business relations can be labelled under five typologies. The first of these approaches is 'business as capital'. This approach tries to identify the consequences posed by the private ownership of capital in general (Haggard, Maxfield & Schneider, 1997: 36). The second approach, 'business as sector', looks at how the competing interests of different sectors constrain the state rather than the private control of capital (Haggard, Maxfield & Schneider, 1997: 37). In the third approach, known as 'business as firm', the focus shifts to the individual companies and how their corporate structures affect both their preferences and their relations with the state. Although these three approaches are important in understanding business influence, they do not mention how business politically organizes itself, or which institutions it uses in the political sphere. The 'Business as association' approach tries to overcome this failing of the first three approaches by looking at the role of business associations in influencing policy outcomes. The final approach, 'business as network' takes a more informal view of state-business relations and focuses on the informal connections and networks between businessmen and state officials (Haggard, Maxfield & Schneider, 1997: 37).

Although the 'business as association' approach might be considered the most relevant one to the analysis of this question, acknowledging as it does the role of business in influencing policy, it nevertheless concentrates primarily on economic issues rather than political ones and as such cannot provide a full explanation for the nature of state-business relations in modern Turkey. According to this approach, business associations act as intermediaries between the government officials and the capitalists. Although there is a negative view of the business organization in general, due to the fact that they might act as rent-seekers, they are also able to have positive effects on the state's economic performance. Organizing as an association gives the business class the ability to oversee each other's activities. (Haggard, Maxfield & Schneider, 1997: 49). Also, the business class may be influenced by state action to organize as an association. Based on Krueger's argument on rent-seeking, the business class is more likely to organize if there is increased state intervention in the economy because they will aim to influence

the intervention (Krueger, 1974 in Haggard, Maxfield & Schneider, 1997: 50). The business class here is mainly taken as economic actors, trying to influence the policy outcomes in economic issues. However, the business class also has political aims, so they are also political actors.

Indeed, each one of these mainstream approaches to state-business relations focuses predominantly on a particular type or way the relationship between state and business is conducted. Because of this, they cannot give us the full picture and provide us with a complete explanation of the relationship. In particular, they disregard specific forms that the state can take under capitalism and also, the class dynamics of a capitalist system of production.

In Marxist theories of state-business relations, the challenge is to identify the form of the state and how that form interacts with the capitalist classes. Orthodox Marxists think of the state as an impersonal and class-neutral public authority. If the state is constituted as such, how is it possible for the capital, or the capitalists, to dominate the state (Jessop, 1983:139)?

There are three different approaches to this question in the Marxist tradition which this dissertation will consider. The first approach is called 'instrumentalism', which argues that the state is an instrument for the ruling class and for its interests (Offe & Ronge, 1975: 139). There are various different ways in which the ruling class can influence state behaviour. Because the ruling class is the owner of private capital, it has a more powerful position than the state in the market. Thus, it can use this position to influence state behaviour. Offe (1974: 32) identifies five different ways in which the ruling class can influence state behaviour as consequence. This influence can be manifested through threats and blackmail, privatised state agencies, investment strikes, commercial mass media, and direct or indirect personal influence.

The second approach is called 'functionalism'. According to functionalists, the state, rather than protecting the interests of the capitalist class, protects the capitalist system in general (Buğra, 1994: 2). Rather than protecting the interests of certain classes, the state acts to defend 'the common interest of all members of a capitalist society' (Offe & Ronge, 1975: 139).

Both of these early Marxist approaches take the state as an absolutely autonomous entity. However, as will be shown in the third approach, 'Neo-Marxism', the state's autonomy can be understood as relative and dependent on the reproduction of capitalist relations of production.

The specific nature of the state is the most important component of the Neo-Marxist understanding. First of all, the state is autonomous because its autonomy was necessary for capitalist development - in order to make sure that private property would be protected and the rules of the market obeyed (Bieling, 2007: 7). However, the autonomy of the state is never absolute, it is always relative. Because the state itself has no control over the means of production, it relies on extracting taxes from the general economy. Thus, it is dependent on the well-being and successful functioning of the capitalist economy (Bieling, 2007: 8).

However, the state is not only dependent on a system of capitalist reproduction, but also has to respond to the social and political struggles and to the changing power structures. To say that the state is simply an instrument of the dominant class or functionally serving the interests of the dominant class is to underestimate the state (Bieling, 2007:8). The state is a political arena which has to respond both to capitalist reproduction and the changing nature of social and power structures in society.

By recognising the state as a political arena, it is possible to understand the relations between state and business from a different light. In order to do that, this dissertation aims to look at the specific form of the Turkish state and the social and political struggles of business associations in Turkey using Neo-Marxism and Buğra's work on the nature of state-business relations in Turkey, which is an important starting point for this dissertation. Buğra (1994: 1-2) argues that the grand theories which are outlined above have shortcomings and identifies these shortcomings as:

... their treatment of private (or class) interest as an exogenous variable. ... both approaches set a dichotomy between the state and the market, thus restrict the scope of analysis of different forms of interaction between the political authority and civil society.

Thus, in her work, Buğra tries to overcome these shortcomings by taking class, the state and their interests as indigenous to each other (Buğra, 1994: 2). By looking at how they interact and how the state plays a crucial role in business activity, the aim is to understand the dynamics of state-business relations in Turkey. Analyzing state-business relations in Turkey is different than understanding it in its counterparts in the Western world because Turkey is a late industrializing country and as such, state-business relations are conducted in a different way. In late-industrializing countries, the state is more likely to provide resources to entrepreneurs because the financial markets would be underdeveloped (Buğra, 1994: 16). Since the development of business will be highly dependent on the state, the business class will appeal to the state as its source of social legitimacy (Buğra, 1994: 17).

In order to understand the distinct environment that state-business relations take place in Turkey and also the nature of those relations, Buğra & Savaşkan (2014: 4) argues that the analysis should be focused on the particular historical form of capitalism in the Turkish society. Capital, according to Buğra and Savaşkan, cannot be treated as a homogenous entity. It is never static and it embodies different interests. These interests are not only economic but also political. The business community may take different positions towards the political developments in the country (Buğra&Savaşkan, 2014:4). So, the state is not the only political actor, as the business community became increasingly involved in political issues and also contribute to the shaping of a new business environment (Buğra &Savaşkan, 2014:6). However, not all the business associations have the same power with regards to the government policy. The relationship between the business associations and the government is based on a shared ideological framework. Thus, the success of the business associations to influence policy outcomes to their favour depends on their relations with the government (Buğra&Savaşkan, 2014: 125).

So, as Turkey is a late industrializing country, the emphasis here is not only on the role of the state in the Turkish society in shaping the interests and preferences of the business community but also on the increased importance of business associations as political actors. This is especially important in the aftermath of the election of the AKP in 2002 - in order to understand the new political economy of Turkey, this intertwined relationship between the state and business associations has to be analysed.

This dissertation will not disregard the importance of Marxist theories in understanding the class dynamics and the specific state forms. However, the main framework will be the one used by Buğra and Savaşkan in their book, 'New Capitalism in Turkey', which focuses both on the role of the Turkish state in shaping the society and the business associations as political actors.

## VII. LITERATURE REVIEW

The specific nature of state-business relations in Turkey and its transformation has been analysed by a number of scholars. The main question in analysing the transformation of state business relations in Turkey is centred on how Islamic capital and its accompanying association seized the central position in Turkish economy and politics. The problem with the existing literature is that it only focuses on the one part of the answer. Existing literature tends to either disregard the importance of the economic interest of the Anatolian bourgeoisie, which helped them become competitive both in domestic and international markets, or they do not pay attention to the role which Islamic values played in the transformation of state-business relations, which enabled this new bourgeoisie to have a central place in Turkish politics. The aim of this dissertation will be to bring together these different approaches to the transformation of state-business relations and explain how MÜSİAD has acquired a central place in political economy of Turkey.

For example, Demiralp (2009: 320) argues that the particular reason why the small entrepreneurs from Anatolia aligned their interests with the Islamist movement is that they needed channels to affect the politicians and policies. She focuses on how economic interests played a role in the emergence of the Islamist movement and also the organizations connected to the movement. By looking at the certain characteristics of MÜSİAD which were generally perceived as an outcome of their ideological stance, she tries to show that these were in reality based on the economic interests of the association and its members. For example, the reason why most of the companies under the umbrella of MÜSİAD would be denied from joining TÜSİAD was their size, not their ideological stance (Demiralp, 2009: 322). Furthermore, Demiralp traces back the negative attitude of MÜSİAD towards the EU during the early 1990s to the

underdevelopment of the members of the association, which made them incapable of competing with the standards of the Western markets, thus the integration with the EU would not be advantageous for them (Demiralp, 2009: 325). It is clear that the ideological stance of MÜSİAD was not motivated by the Islamist background of its members, but rather by the economic interests. However, the focus on the prevalence of economic interests disregards the advantages that the Islamic identity brought to the association. By utilizing Islam as a way of network creation and legitimization, MÜSİAD was able to bring together a large number of companies which are diverse both geographically and in size (Buğra, 1998: 529).

Another example is Özcan and Turunç's approach, which focuses on how the rise of this new bourgeoisie altered class dynamics in Turkey (Özcan&Turunç, 2011:63). They argue that it was the emergence of a new bourgeoisie in Anatolia, which emerged as an outcome of the neoliberal policies of 1980s, that first began to change the class dynamics in Turkey (Özcan&Turunç, 2011:64). The rise of new bourgeoisie in Anatolia did not diminish the importance of state-created big business, however, it emerged as a rival to the values and interests presented by them (Özcan&Turunç, 2011:82). Özcan and Turunç argue that although the new Anatolian bourgeoisie used Islamic values in the creation of networks of trust, their behaviour was mainly driven by their own economic interests and profit making (Özcan&Turunç, 2011:75). Although Özcan and Turunç's account gives reference to the role of Islam in bringing together the new bourgeoisie as a new force in Turkish politics, they mostly focus on the exogenous factors in the rise of Anatolian bourgeoisie.

Tuğal, on the other hand, provides a more identity-oriented analysis of the transformation, and focuses on how Islamic identity has played a role in the transformation of the relations between the state and the society in general, in his book *'Passive Revolution: Absorbing the Islamic Challenge to Capitalism'*. Tuğal uses Gramsci's concept of passive revolution to understand the transformation of radical Islam into moderate Islam in Turkey. He argues that a political economy account of the transformation of political Islam in Turkey, which focuses on the rise of the new conservative business class, is not enough to understand how Islamic values have been used by this new elite in order to secure their hegemonic position (Tuğal, 2009:21). The downside of Tuğal's analysis is that it is focused on a district in Istanbul called Sultanbeyli, which is known to be the stronghold of radical Islam in Turkey. He tries to

understand the transformation in national politics by looking at this one small representative of radical Islam. Although his analysis does not necessarily focus on the transformation on the role of organizations such as MÜSİAD, it is still important in the sense that it brings forward the identity-oriented approaches to the forefront once again.

The reason why this dissertation will engage with Buğra (1994) and Buğra&Savaşkan (2014) is that together these books on state-business relations in Turkey present a complete picture of the transformation of the business environment. Buğra (1994: 98) engages with the intertwined relationship between state and business in the construction of a national economy in Turkey. Her work gives us the first part of the picture: a bourgeoisie which was created by the state and dominates the national economy. In her later collaboration with Savaşkan, the scholars try to understand the ‘society shaping role of the state’ but without disregarding the political role of the business class in the context of the specific form of Turkish capitalism (Buğra&Savaşkan, 2014: 6). By engaging with these two works, the aim is to understand the transformation of the state-business relations and the role of business associations under the AKP government. This dissertation will analyse this transformation by focusing on two most prominent business associations of Turkey, TÜSİAD and MÜSİAD and how their relations with the state has been reconstructed.

## **VIII. A BRIEF HISTORY OF STATE-BUSINESS RELATIONS IN TURKEY**

State-business relations in Turkey present us with a peculiar puzzle created by the legacy of the Ottoman Empire and the construction of a nation state and a national economy with the foundation of the Republic. Also, as a late-industrializing country, the role of the Turkish state in business activity makes the relationship with business and industry more complicated than in Western states.

The uncertainty and instability of the business environment has been the encompassing theme in the state-business relationship from the foundation of modern Turkey up until today. Ambiguous limits of state intervention, together with the unclear social status of the business class contributed to this instability. Until the 1980s, the business class remained highly dependent upon the state. It was only after the liberalisation of the

economy in the aftermath of the 1980 military coup that the business class was able to distance itself from the government. The role of the state in the economy is thus very important in the case of Turkey. The aim of this chapter is to analyse how the state-business relationship has been conducted in Turkey historically, in order to understand contemporary divergences between business associations.

The role of the Turkish state in the construction of the national economy can be explained by the influential legacy of the Ottoman Empire. The integration of the Ottoman Empire's economy with that of Europe was driven primarily through its non-Muslim population, which dominated economic activities (Buğra, 1994: 36). Under the capitulatory regime, foreign ambassadors enjoyed special powers in the Ottoman Empire, such as legal and administrative control over commercial activities within their communities. This meant that in order to engage in trade with European countries, the Muslim business community found it necessary to liaise with these foreign ambassadors. In such a context, the non-Muslim acted as intermediaries for the Muslim population in order to facilitate their access to European markets (Buğra, 1994: 36). This specific mode of integration clearly favoured the non-Muslim businessmen in the Ottoman Empire, because they had access to both domestic and European markets without needing intermediaries.

Another reason why commercial activities were mainly dominated by the non-Muslim population is that there were more attractive jobs in bureaucracy available to Muslims (Buğra, 1994: 37), hence they gravitated towards such roles.

The non-Muslim population dominated commercial activities, therefore, not because Muslims were intentionally excluded from commercial activities, nor because of a negative perception of commercial activities from an Islamic perspective (which was in any case not true), but rather because of specific historical circumstances which enabled them to be more powerful, and provided them with increased access to markets.

The lack of a commercially active Muslim population created problems both in the last years of the Ottoman Empire and in the foundation of the Turkish Republic in the years following 1923 (Buğra, 1994: 38). Therefore, the state had to take a more central role in business life in order to facilitate the creation of a national bourgeoisie (Buğra, 1994:

98). In the first years of the Republic, public officials were able to participate in business enterprises. Business activity was seen as a way of serving the country (Buğra, 1994: 43). In contrast to Western societies where private enterprise and profit making acquired legitimacy through certain ideological and institutional transformations (Buğra, 1994:13), in Turkish society, the business class was dependent on the state not only for its social legitimacy but also for acquiring financial resources from the government (Buğra, 1994: 50). In short, the Turkish state's need to create a national bourgeoisie ultimately created a bourgeoisie which was inevitably dependent on the state. Despite business' dependency on the state, their relationship has never been conducted in a stable environment where the business community simply did whatever the state wanted them to do.

The central role of the state in the construction of the national economy also created a centre-periphery division in the country. The Turkish modernization project aimed at the creation of a Western, secular and industrial country; however, it was concentrated on the big cities like Istanbul, Ankara and Izmir. While these urban centres developed with the help of the state-supported big bourgeoisie, the project did not diffuse to the rural parts of Turkey (Demiralp, 2009: 318). Thus, a big gap emerged between the Westernized, industrialised, secular big cities and the underdeveloped and traditional rural areas. This centre-periphery gap became particularly important in the 1980s, when the Anatolian bourgeoisie started to increase its economic power.

The environment in which business activity was conducted in Turkey was highly unstable. Turkish governments had a pragmatic approach to economic policy, which was not based on any economic philosophy. The governments had the discretion to change economic policy as they saw fit (Buğra, 1994: 96). This meant that the business community could never be sure about how long a policy would stay in place. The instability of the policy environment made business vulnerable (Buğra, 1994: 97). Also, the limits of state intervention in the country's business activities were not clearly defined. Because it was not clear the extent to which the state could intervene in business, the limits of which activities could be undertaken by private enterprise were very imprecise, which made the position of the private businessman in society unclear. Business activity was deemed acceptable on the condition that it would contribute to the country's national development goals (Buğra, 1994: 96). As the country's policy

direction was not stable nor consistent, business activities considered compatible with national goals changed along with the policy orientation.

If the history of state-business relations in Turkey is analysed periodically, it is clear that uncertainty in the business environment is the most important feature of these relations up until today. Although in certain periods the state adopted a more pro-business attitude, the instability and uncertainty were always the consistent features of state-business relations. The general attitude towards private enterprise in the first decade of the Republic was highly affected by two international developments: The Great Depression in 1929 and the start of the Second World War in 1939. The impact of the Great Depression on international economic stability, followed by the destruction of the Second World War created a highly unstable environment in which Turkey had to cope both with internal and external pressures in its development of economic and political institutions. The instability witnessed by the Turkish state led to a questioning of the system of private enterprise in Western states (Buğra, 1994: 100). Up until the end of the 1940s, Turkish economic policy was based on the assumption that national development ought not be left to the private sector. This policy orientation was called 'etatism' (Buğra, 1994: 101). 'Etatism' or statism in the Turkish development agenda was inherited from the late Ottoman Empire. Statism was an important instrument in the modernization agenda of the Turkish Republic (Akman, 2004: 37). The main objectives of the etatist policy orientation was to secure the stability of foreign exchange rate, balance the budget and stabilize the balance of payments. These objectives were to be reached through state intervention - however, the boundaries of such intervention were never clear (Buğra, 1994: 101). It was not the state intervention itself which was problematic for the businessmen. It was the ambiguous nature of the limits of the intervention which threatened the position of the businessmen in the society because they were not informed by the state on what kind of activities fall into the private sector's domain (Buğra, 1994: 106).

Throughout the 1940s, relations between the state and business were conducted in a hostile environment created mainly by the wartime conditions. National Defence Law which as enacted in 1940 increased the powers of the government to interfere in the economy (Buğra, 1994: 112). Exceptional taxes were put into place through the infamous Wealth Levy of 1942, which had significant repercussions and brought about

the demise of minorities in the Turkish economy (Buğra, 1994: 114). Also, the wartime activities of the business community, which enabled them to extract high profits, were regarded by the state as proof of the unreliability of business, especially in times of economic hardship (Buğra, 1994: 113).

The 1950s presented the first attempt of the Turkish governments to liberalize the national economy. Throughout the 1950s, the government displayed a very positive attitude towards business activities (Buğra, 1994: 120). Although the economic status of the business class had increased during this period, they remained reluctant to react against government policies. The instability of the business environment remains one of the key reasons behind this situation. Businesses were dependent on short term profits because of this instability (Buğra, 1994: 129). Although they were not satisfied with the economic policies of the government at the time, a potential systemic change was much more problematic for them. Because of this, the business class chose not to confront the government about the problems that had been caused by its policies (Buğra, 1994: 130).

Between 1960 and 1980, the uncertainty of the business environment, which has been the defining characteristic of state-business relations, reached its highest point. The country was undergoing important changes not only politically, but also economically with the implementation of the import substitution industrialization strategy (Buğra, 1994: 131). This new strategy benefited the businessmen hugely. At the same time, they had started to consolidate their position in industry and society (Buğra, 1994: 136). The first of the business associations which is the subject of this dissertation was founded during this period. TÜSİAD was founded in 1971, in the midst of political instability, with the aim of securing a relatively stable and legitimate position for business activity (Buğra, 1994: 139). Although the businessmen were becoming more powerful and confident in their relations with the state, the state-induced uncertainty continued to grow during this period. Thus, the 1980 military coup, which it was hoped would bring an end to the instability, was welcomed by the business elite (Buğra, 1994: 142). The import substitution industrialization regime, under which the big business was protected, was replaced by a market-driven system integrated with the world economy (Buğra & Savaşkan, 2014: 2). Despite the change to a market-driven system, the role of the state in economy did not diminish throughout the 1980s (Buğra, 1994: 144). The particularistic relations between the state and businessmen became much more visible

throughout this period, as the state had an instrumental role in creation of wealth but also in the creation of difficulties for certain businessmen (Buğra, 1994: 154).

Throughout the 1980s, Turkey implemented policies to liberalise its foreign trade regime, remove exchange rate controls, adopt incentives to attract foreign direct investment, liberalise market interest rates, and privatise state owned enterprises (Demir, 2004: 853). These new neoliberal economic policies led to the evolution of a new bourgeoisie in Anatolia (Yavuz, 2006: 5). This newly emerged bourgeoisie acquired a much more important position in the economy as they were much more competitive and did not rely on state support in their activities (Buğra & Savaşkan, 2014: 2). But although they had acquired a much more advantageous position than before, the development of Anatolian bourgeoisie was still unequal in the sense that large conglomerates were favoured due to their export practices, while the small entrepreneurs who mainly focused on the domestic markets were still at a disadvantage (Demiralp, 2009: 319). Despite the fact that the neoliberalisation of the Turkish economy had worked in ways to decrease the divergences between the rural and urban economies, the uneven development of the Turkish economy was still not overcome.

Another important outcome of the 1980 military coup was the increasing role of Islam in the public sphere (Buğra, 2002: 189). The Turkish state had control over the role of Islam in politics and the public realm throughout the history of the nation. This control was managed by a double discourse: The Turkish state has excluded Islam from public political realm, but at the same time, it accommodated certain aspects of Islamic politics into the system (Sakallıoğlu, 1996: 231). In the aftermath of the 1980 coup, Islam has been used as a unifying force in order to suppress social conflict (Buğra, 2002: 189).

The history of political Islam in Turkey is important in the analysis of business associations in Turkey. However, since this dissertation cannot also present an analysis of political Islam in Turkey, the focus will be how political Islam enabled MÜSİAD to acquire a central role in the political economy of Turkey. The simultaneous increase in the power of parties connected to political Islam and the rise of a new bourgeoisie in Anatolia who defined themselves with Islamic values is important in analysing the relations between the state and business associations under the AKP government.

The lack of proper regulation to enable the implementation of market-oriented economic development resulted in the 1990s in the history of Turkey being called ‘the lost decade’. It was marked by several subsequent crises; first in 1994, followed by 1998-99 and finally ending with the 2000-2001 crisis (Demir, 2004: 856). The 2001 crisis was crucial for both the economic and political processes in Turkey. In the aftermath of this crisis, the commitment to the neoliberal agenda became unavoidable. The policy program proposed by the International Monetary Fund (IMF) was adopted under the objective of proper management of the economy and the creation of regulatory mechanisms (Yeldan, 2006: 208). Under this new economic management, the incentives which were available to businessmen were mostly replaced by new ones. The role of local governments and municipalities in providing economic incentives to business increased (Buğra&Savaşkan, 2014: 11). This resulted in a new business environment where small- and medium-sized enterprises were able to benefit from economic incentives as much as big enterprises.

In this new business environment, business people began to get involved in politics (Buğra&Savaşkan, 2014: 12). This involvement has become an important component of state-business relations especially after the AKP came to power. According to Buğra and Savaşkan (2014:12), this new business environment was characterised by a mutual dependency between the government and business. It is not only business which relied on government support, but also that government highly benefited from the mobilization of resources by business for political support.

Overall, the history of state-business relations in Turkey has been characterised by uncertainty and instability, even though the nature of the relations has changed over time. Recognising the effects of the 1980 coup is particularly significant in understanding the nature of the relations between the state and the business under the current framework.

The next part of this dissertation will focus on two business associations, TÜSİAD and MÜSİAD, and their relations with the state, especially under the AKP government.

## **IX. TÜSİAD AND MÜSİAD: COMPARISON OF TWO COMPETING BUSINESS ASSOCIATIONS IN TURKEY AND THEIR RELATIONS WITH THE AKP GOVERNMENT**

The main focus of this dissertation is the two most prominent business associations in Turkey and their relations with the state, especially under the AKP government. These two business associations are TÜSİAD and MÜSİAD. First, the history of these business associations will be presented. Secondly, their relations with the state will be analysed. Finally, the aim is to present a comparison between these two business associations and to understand the underlying changes in Turkish political economy.

### **a. TÜSİAD: Secular Front of Business Community**

TÜSİAD is the oldest of these two associations. It was founded in 1971 as a voluntary business association in an environment where state-business relations were largely conducted through informal networks, where the voluntary business associations were not yet present in the political scene (Buğra&Savaşkan, 2014: 10). TÜSİAD today has more than 4,000 members and represents 80% of Turkey's foreign trade and 50% of the value-added. It has branches in Istanbul and Ankara, and also in 6 overseas locations, including Brussels (TÜSİAD, 2016).

Although it represents a huge number of companies today, TÜSİAD was initially founded by twelve businessmen, all of whom were owners or managers of big companies. The sectors of these companies, as has been the case throughout the history of the association, was highly diverse. They came together to secure the status of the business community, not for sectoral interests (Buğra, 1994: 248). Having experienced highly unstable business environment - due to the pragmatic nature of economic policy making of the Turkish state - the founding members of the association favoured a mixed economy model in which the state intervened in the economy in a way to support private sector activity, not to hinder it (Buğra, 1994: 249).

As members of the association consisted of largely state-created bourgeoisie, they were seen by the state as the 'carrier of its modernization projects' and also as a

representative of the values of the Republic and the society that had been imagined by the state (Yavuz, 2006:6).

The association became more important in the 1980s, due to the international and domestic political and economic developments which favoured the private sector (Buğra, 1998: 526). During this period, the association began to question the unequal partnership between the state and business. They wanted to secure their property rights and to create a space where they could exercise their hegemony as a dominant class (Buğra, 1998: 526). The economic model favoured by the association also shifted from a mixed economy model to a more liberal model during this period (Buğra, 1994: 249).

The younger generation of businessmen whose representatives dominated presidential positions of the association during the late 1980s and 1990s had a much more critical stance towards the government (Buğra, 1994: 250). However, their critical stance was not always accepted by the members of the association, who retained their close ties with the government. The older generation of businessmen in the association, who had experience of the fact that the state was capable of taking away privileges as easily as it had granted them, urged more caution (Buğra, 1994: 251). Although the association started to raise critical issues concerning its relations with the state, its ties with the government remained intact (Buğra, 1994: 257).

The critical position held by TÜSİAD during the 1970s and 1980s was mainly towards the economic policy of the state. Starting from the 1990s, the association began to raise criticisms of political and social issues too - especially in terms of encouraging democratization (Öniş&Türem, 2002: 439). There are several reasons behind this increased interest in political issues. First of all, TÜSİAD believed that democratization would increase the economic benefits of globalization, especially since the EU started to place emphasis on democracy and human rights as a precondition for membership (Öniş&Türem, 2002: 444). Secondly, in the 1990s, the business community reached a certain degree of maturity. Their dependence on the state had significantly decreased, and their business activity required a more predictable and stable environment. Democracy was seen as a way to provide such an environment, where the business community could continue to increase its power without being dependent on the state (Öniş&Türem: 2002: 444).

The association's view of democracy was expressed through the publication of reports, statements and speeches of its leadership (Öniş&Türem, 2002: 445). The most controversial of these reports was published in 1997. *Perspectives on Democratization* proposed radical changes to the existing democratic order, including reform of the party system, constitutional reform, the role of the military in Turkish society and minority rights (Öniş&Türem, 2002: 446). Although *Perspectives on Democratization* was not the first critical report published by TÜSİAD, it resonated more than the others because it did not state that the views on the report belonged solely to the writers rather than the association itself, but instead implied it represented the association's opinion (Buğra, 1998: 527).

Taking into account that the members of TÜSİAD all had close relations with the state, publishing such a critical report certainly jeopardized its status in the Turkish society. Also, it made it clear that not all members of the association were happy with open criticism of the state institutions, and vital problems in the Turkish society such as the Kurdish issue (Öniş &Türem, 2002: 446).

The problems identified in the report were regarded as obstacles to the integration of Turkey into the European Union (EU) (Buğra, 1998: 526). The report was published during the time when the Customs Union with the EU was finalised. The next step was seen as membership. According to the report, by signing the Customs Union agreement with the EU, Turkey had openly committed to becoming a member of the EU (TÜSİAD, 1997: 5). The Copenhagen Criteria, which comprises the main three accession criteria of the EU, states that a country wishing to become a member of the EU has to prove the 'stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities' (European Commission, 2012).

In other words, in order to further its economic integration with the European Union, Turkey had to comply with the accession criteria, which requires the democratization of the Turkish state. The inevitable emphasis on the weakness of Turkish democracy as an obstacle to integration with European markets demonstrates that the approach of TÜSİAD towards democratization was a pragmatic one.

TÜSİAD continues to be one of the most influential voluntary business associations in Turkey. However, in the aftermath of the economic transformation in the 1980s, with the rise of new business classes concentrated in small- and medium-sized enterprises, the business environment became highly polarised. In this new environment, the biggest challenge to the capitalist development model presented by TÜSİAD came from MÜSİAD.

### **b. MÜSİAD: Islamic Values in the Economic Sphere**

MÜSİAD was founded in 1990 in order to represent the interests of the excluded Muslim entrepreneurs. Unlike TÜSİAD, MÜSİAD had a much wider spectrum of membership. It did not only include enterprises of different sizes, but also its members were geographically more diverse than TÜSİAD (Buğra&Savaşkan, 2014: 117). It has 11000 members and also branches in 49 cities of Turkey (MÜSİAD, 2013).

The association worked in order to prove the legitimacy of private enterprise and the compatibility of capitalism with Islam. They made references to the occupation of the Prophet Muhammed (who was a merchant) in order to show the existence of private enterprise in Islamic culture (Buğra&Savaşkan, 2014: 128). Also, the idea of communal salvation is central in Islam. People work towards their own salvation through helping their own Islamic communities to progress (Yavuz, 2009: 55). So, private enterprise and accumulation of private wealth can be legitimized, so long as it helps the development of the community.

The reason why MÜSİAD has been so successful in bringing together the owners and managers of a large number of companies is that it effectively used Islam as a way of encouraging cooperation and solidarity (Buğra, 1998: 529). As stated before, MÜSİAD's members are much more diverse than TÜSİAD, both in size and in location. The role of the association in fostering relations between this quite diverse membership is crucial. It worked in many ways to increase the access of its members to new technologies and market information. It coordinated business trips to several countries in Europe, Africa, Asia and the Middle East. Also, it organized international fairs during which the members of the association could present their products and also establish

new business connections (Gümüşçü, 2008:5). However, the activities of the associations did not only assist them economically, but also helped them to come together under the umbrella of Islam, which provided a framework for business ethics, corporate responsibility and common interests (Buğra, 2002: 193). The association thus acted as an intermediary to facilitate the relations between its members and also establish new networks for the benefit of their community.

Islam did not only have a role in creation of domestic networks, but also was used by the association in order to further economic interests in international level. MÜSİAD favoured relations with non-Western states, especially Muslim states, and criticized the Western oriented foreign policy of Turkey (Buğra&Savaşkan, 2014: 57).

Two factors contributed to the rise of MÜSİAD in Turkish politics. Firstly, the member base of MÜSİAD consisted of the new bourgeoisie which emerged as a result of the neoliberal economic policies of the 1980s. The shift towards a new form of capitalist development enabled small- and medium-sized businesses to benefit from municipal resources and local facilities as a result of the rescaling of the state (Tok, 2015: 86). Small- and medium-sized enterprises which had been in a disadvantaged position under the import substitution regime until the 1980s started to contribute to the economic expansion in Anatolia (Tok, 2015:84). Because they were marginalized by the economic regime which favoured big business, they were critical of the relations between big business and the state and the subsidies provided by the state to the Istanbul-based big businesses. They thought that the relationship between the state and big business was the reason behind the uneven development of Turkish economy (Yavuz, 2006: 6). In an environment where they were finally strengthening their position in the economy, aligning their interests with big business - which they thought was the reason behind their late development - was out of the question. MÜSİAD allowed the owners of such enterprises to come together.

Secondly, MÜSİAD identified itself with reference to Islamic values. The emergence of any type of Islamic organization in this sense would not be possible without the change in the outlook towards Islam in Turkey. After the 1980 military coup, the role of Islam in the public sphere has increased, and this enabled the newly emerging entrepreneurs of Anatolia to come together under the umbrella of MÜSİAD. MÜSİAD, together with

ASKON and TUSKON both of which are supported by different Islamist groups, were established within the constituency of political Islam (Buğra&Savaşkan, 2014: 13). The emergence of MÜSİAD and the increase in its power is connected with the rise of the Refah Party (RP) in the Turkish political scene. The RP, which was founded in 1983, expressed the interests of small- and medium-sized enterprises and thus received their support during this period (Başkan, 2010: 402). The success of the party in the local elections of 1994 opened new opportunities for the Anatolian based Islamic bourgeoisie which created the basis of the association's membership (Yavuz, 2009:52).

However, the rise of the RP as a party embodying an anti-secular discourse was not welcomed by the military, which has been the protector of secularism in Turkey. On 28<sup>th</sup> February 1997, the military imposed changes to the educational system which the party did not agree with. The process which started on the 28<sup>th</sup> February culminated in the closing down of the RP, and a political ban being placed on the prominent members and the leader of the party (Başkan, 2010: 406). The 28<sup>th</sup> February process was also of critical importance to Islamic businesses, which were suppressed by the military and faced the threat of being excluded from public bids and contracts (Buğra, 1998:534). This process made both the Islamic politicians and businessmen think about the viability of having an anti-secular Islamic discourse - which the military would not allow to happen. Taking that into account, members of the RP founded a new party called Fazilet Partisi (FP) with a more moderate agenda. However, the party's position was divided and soon the traditional Islamists took control of the party (Başkan, 2010: 407). The Islamic business elite had a clear role in the separation of the FP by supporting the reformists inside the party to found a conservative centre-right party, which would be called 'Adalet ve Kalkınma Partisi', because they believed that this new party would stand a better chance in furthering their interests (Başkan, 2010: 408).

To sum up, by utilizing Islam as a way of network creation and legitimization, MÜSİAD was able to bring together a large number of companies which are diverse both geographically and in size. MÜSİAD's success was the outcome of two intertwined developments. The first is the neoliberalization of Turkish economy which created new opportunities for the small- and medium-sized enterprises in Anatolia. The second is the rise of political Islam which enabled the Islamic entrepreneurs to establish themselves as legitimate businessmen. However, they soon understood the radical

elements in Islamic parties would not work in their favour in the long run. This led them to support less radical, moderate centre-right politicians inside the Virtue Party to create a separate party. The relations between the association and the AKP government will be analysed in comparison to TÜSİAD in the next part of this dissertation.

### **c. TÜSİAD vs MÜSİAD under the AKP Government**

Since capital cannot be a homogenous entity and it embodies different interests, the associations that represent the interests of capital are also diverged on the basis of different interests. The two most important business associations in Turkish politics thus presents us with two competing models of capitalist development. However, these models of capitalist development are not only focused on the economy but also on politics.

TÜSİAD offers us a European model of development, in which the creation of a regulatory framework to minimize the scope of political discretion, close relations with Western countries and organized interest representation by labour and a formal policy approach is favoured (Buğra&Savaşkan, 2014: 19). As the representation of big business which was created by the state with the aim of creating a national bourgeoisie, members of TÜSİAD were largely on the secular front, had favoured a market-driven economy and been supportive of the democratization process and the EU membership of Turkey. On the other hand, MÜSİAD calls for a broader scope for political intervention into the economy, close relations with non-OECD countries and addressing industrial relations, equality and poverty by Islamic norms (Buğra&Savaşkan, 2014: 19-20). According to MÜSİAD, Islam is much more compatible with globalized market relations, because it creates a network of trust and solidarity in the economy (Keyman&Koyuncu, 2005:118). As business associations are more powerful if they share an ideological framework with the government (Buğra&Savaşkan, 2014: 125), MÜSİAD can be considered as the dominant actor during the AKP government due to a shared understanding.

In the first years of the AKP government, TÜSİAD saw the party as an important force behind the Europeanisation process of Turkey, which it valued highly. Given that the government accelerated the reform process between 2002 and 2004, the association started to move away from the issue of democratization, which was one of the most

important issues for the association in order to achieve economic stability. (Bayer&Öniş, 2010: 189).

Another reason why the association supported the AKP government in the first few years is that the party committed to the changes and reforms proposed by the IMF in the aftermath of the 2001 financial crises, which the association saw as a commitment to economic stabilisation and privatisation (Yavuz, 2010: 84). In line with its desired model of development, TÜSİAD wanted economic stability, which it believed would facilitate its relations with the Western countries in a more reliable framework.

TÜSİAD focused its efforts on economic stabilisation and the EU process from 2002 until 2004. However, this was only possible for a short period of time because of the increasing concerns on civil and political rights, individual freedoms, and the rising number of court cases taken to the European Court of Human Rights (Bayer&Öniş, 2010:190). In the aftermath of the 2004 elections, in order to secure the support of its religious base, the AKP government started to signal some changes regarding the role of religious values in Turkish society (Uğur&Yankaya, 2008: 594).

The most important development of this period for relations between the association and the government had been the election of a new president in 2007. TÜSİAD's chairwoman of the time, Arzu Doğan Yalçındağ, made a declaration that a candidate from the governing party would cause conflict in society as it would bring out the question of secularism once again (Bayer&Öniş, 2010:192). The association favoured the candidacy of Abdullah Gül, who was also the Foreign Minister of the time, over the Prime Minister Recep Tayyip Erdoğan (Yavuz, 2010: 85). These vocal criticisms of the Chairwoman Yalçındağ were only the beginning of a period of clash between the government and the association. The relations between the association and the government also became more complicated when companies affiliated with the government started to become members of TÜSİAD (Buğra&Savaşkan, 2014: 115).

The disagreements between the old bourgeoisie and the AKP government did not remain limited to the framework of the association. The clash between the Doğan Media Group and the Prime Minister Erdoğan has been an important episode in the ongoing tensions between the government and the association. Following the media coverage in

Doğan Media channels and newspapers of the Deniz Feneri case in Germany, where a charity association was accused of illegally transferring money and using it for political gains, Erdoğan blamed Doğan Media for trying to frame the AKP (Çağaptay, 2008). In the aftermath of this media coverage, Doğan Media Group was accused of not reporting its profits and internal sales and movements of property properly and fined \$3.2 billion (Silverman, 2014: 150). These attempts to decrease the power of Doğan Media were directly connected to the AKP's efforts to curb its opposition, although the Prime Minister strongly argued that the fine was a part of the overall attempt of the Turkish government to fight against its underground economy (Champion, 2009). However, the timing of events and the potential impact of the fine (which threatened the financial stability of the company), suggests this was indeed an attempt by the government to curb the power of secular media.

Whereas TÜSİAD and its member companies started to clash with the government when the EU membership negotiation started to stagger, MÜSİAD and the AKP government continued to assist each other in multiple ways.

The most important assistance that MÜSİAD provided the AKP was during its foundation. Members of MÜSİAD supported the party by helping them organize through their local networks and opening their local branches. Furthermore, the prominent members of the association were later elected as deputies of the party in the general election of 2002 (Tok, 2015: 88).

This intertwined relationship between the AKP and MÜSİAD is also visible in their ideological stances. The AKP's economic policy was adopted from the recommendations of reports that the association had been publishing over the years, and promoted the ideas of the association - such as a free market economy, decreased state intervention in economic areas, and export oriented growth (Başkan, 2010: 412).

Although it was initially against the EU membership of Turkey, the association softened its position against the EU during the AKP government (Buğra&Savaşkan, 2014: 134). This is related to the overall transformation of political Islam in Turkey from a more radical to a moderate stance in order to protect themselves from a military intervention happening again.

The AKP government promised to continue the reform process which started in the aftermath of the 2001 crisis. It was believed that these reforms would bring an end to the particularistic relations between the state and big business and the government's influence on private sector activity (Buğra&Savaşkan, 2014: 76). However, in reality, the changes in the legislation during the AKP government increased the limits of political discretion. Public Procurement Law was the most important example of these legislation changes, which has been changed 29 times, amended over 100 times over the course of 10 years (Buğra&Savaşkan, 2014: 78). Almost 30 % of the tenders under public procurement were carried out via restricted and negotiated procedures or direct procurement in 2012 (Buğra&Savaşkan, 2014: 79). This shows that there was a considerable lack of transparency in the tender methods.

The AKP government's policies have also been supportive of small- and medium-sized enterprises in general. For example, with a law passed on tax amnesty in 2003, significant amount of resources has been redistributed from big companies to small- and medium-sized enterprises. Since tax fraud, unregistered revenues and lack of transparency were more common in these enterprises, they benefited from the tax amnesty law more than the big companies, which have to be more transparent due to the fact that they engage in international trade (Demiralp, 2009: 329).

The relations between the AKP government and TÜSİAD and MÜSİAD, as shown here, was different from the dynamics of the state-business relations in Turkey in the previous years. The government stood closer to the small- and medium-sized enterprises, which were also connected to the party ideologically. It cannot be argued that the old, secular and liberal business elite created by the state which are represented by TÜSİAD was completely overtaken by the new, Islamic, and independent business class represented by MÜSİAD. However, it is clear that this new bourgeoisie had found itself in a more advantageous status under the AKP government. This change in the power structure under the new political economy of Turkey can be explained by a combination of economic interests and identity. It is argued that after the shift to neoliberalism in Turkey in the 1980s, especially after the 2001 crisis, the Turkish economy has become a market-oriented and outward looking economy, geared towards ending the particularistic relations between the big bourgeoisie and the state. However,

what we have witnessed instead was the replacement of the old bourgeoisie with a new one which now started to enjoy favours by the government under newly defined limits of government intervention (Buğra&Savaşkan, 2014: 19). This replacement was not only possible through the creation of new economic opportunities for small- and medium-sized enterprises during the 1980s, but also the rising importance of political Islam and the Islamic identity. Embodying Islamic values enabled the new bourgeoisie of Anatolia to create networks of trust and solidarity which were missing in the old bourgeoisie. TÜSİAD does not have a comparable solid base of support similar to MÜSİAD's.

All in all, the relationship between the Turkish state and national business did not irrevocably change under the AKP government. Political discretion, particularism and favouritism is still existent. However, these are now directed towards a different group of businessmen than before. Also, the AKP government relies on the support of the new bourgeoisie as much as they rely on the support of the government in turn.

## **X. CONCLUSION**

The history of state-business relations in Turkey has been marked by uncertainty and the instability of the business environment. The old bourgeoisie which was created by the Turkish state became stronger in a business environment. As a late-industrialising country, the role of Turkish state in shaping economy and society has been significant.

The neoliberalisation of Turkish economy together with the rise of political Islam contributed to a polarised business environment in the aftermath of the 1980 military coup. Thus, the bourgeoisie, which has never been contested before and was represented by TÜSİAD, was suddenly rivalled by a rising Anatolian bourgeoisie, which was powered by political Islam. This new bourgeoisie was supportive of Islamic parties of the 1980s and 1990s and thus received benefits in return.

However, the shadow of Turkish military has forced Islamic parties to take a more moderate stance in line with the secularist principles of the Republic. The problems that the Islamic parties faced over the 1990s made this new bourgeoisie realise that they needed to secure their political connections through a political party which would not be

seen as a direct threat by the Turkish military. Thus, the new bourgeoisie, which came together under MÜSİAD, was helped a group of moderate Islamists to found the AKP.

The role of these two business associations under the AKP government is thus problematic. Although the party was welcomed by TÜSİAD at first, the revelation of the party's religious position on controversial issues like headscarves, made the association question the true identity of the AKP.

Whereas TÜSİAD, and its prominent members like Doğan Media Group, found themselves in open conflict with the government, MÜSİAD was supporting the party both financially and ideologically and the AKP was backing the small- and medium-sized enterprises which created the membership of the association. This reciprocal relationship between the party and the association is similar to state-business relations in Turkey before the 1980s, except that the AKP is more dependent upon the support of its favoured business association than its predecessors. Thus, the ways in which the state has intervened in the Turkish economy have not actually changed, but have become more subtle.

To sum up, under the AKP government, business associations have become more politically engaged with issues to which they had not paid attention before. Economic interests have become more interconnected with political ones, as the state has been and continues to be an important agent in Turkish economy. Under the new political economy of Turkey, business has to adopt a pro-AKP approach in order to secure their economic interests.

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