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CIVIL SOCIETY AS FOREIGN POLICY ACTOR

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CIVIL SOCIETY AS FOREIGN POLICY ACTOR: THE CASE OF TUSIAD

A Master's Thesis

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**CIVIL SOCIETY AS FOREIGN POLICY ACTOR: THE CASE OF
TUSIAD**

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by

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ABSTRACT

CIVIL SOCIETY AS FOREIGN POLICY ACTOR: THE CASE OF TÜSİAD

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This thesis analyzes the influence of the strong state tradition on Turkish entrepreneurs with a special focus on TÜSİAD's involvement in Turkey-EU relations. The thesis traces the reasons of TÜSİAD's support for Turkey's EU membership. Consequently it analyzes TÜSİAD's contribution to Turkey-EU relations.

Keywords: Civil Society, Strong State Tradition, European Union, TÜSİAD

ÖZET

DIŞ POLİTİKA AKTÖRÜ OLARAK SİVİL TOPLUM: TÜSİAD

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Bu çalışma devlet geleneğinin Türk işadamları üzerindeki etkisini, TÜSİAD'ın Türkiye-Avrupa Birliği ilişkilerine yaklaşımı çerçevesinde incelemektedir. Çalışma TÜSİAD'ın Türkiye'nin Avrupa Birliği üyeliğine katkılarını ve bu davranışın altında yatan nedenleri ele almaktadır.

Anahtar Kelimeler: Sivil Toplum, Devlet Geleneği, Avrupa Birliği, TÜSİAD

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ABBREVIATIONS

CU	Customs Union
DLP	Democratic Left Party
DP	Democrat Party
ESC	Economic and Social Council
EC	European Community
EU	European Union
FDI	Foreign Direct Investment
HC	Holding Company
IMF	International Monetary Fund
ISI	Import-Substitution Industry
JCC	Joint Consultative Committee
JDP	Justice and Development Party
JP	Justice Party
JSC	Joint Stock Company
MP	Motherland Party
MUSIAD	Private Industrialists' and Businessmen's Association
NAP	Nationalist Action Party
NATO	North Atlantic Treaty Organization
NPAA	National Programme for the Adaptation of the Acquis
OEB	Greek Cypriot Employees and Industrialists Federation
RPP	Republican People's Party
TISK	The Confederation of Artisans' Associations, and Employers'
TOBB	The Union of Chambers of Commerce and Industry
TNC	Transnational Corporations
TPP	True Path Party
TRNC	Turkish Republic of Northern Cyprus
TRT	Turkish Radio and Television Corporation
TSKB	Industrial Development Bank of Turkey
TÜSIAD	Turkish Industrialists' and Businessmen's Association
SEE	State Economic Enterprise
PKK	Kurdistan Labor Party
UNICE	Union of Industrial and Employer's Confederation of Europe
US	United States
WTO	World Trade Organization
WP	Welfare Party

INTRODUCTION

The relation between the state and the business has attracted the interests of many scholars in Political Science and International Relations. Especially with the rise of transnational companies as important components of foreign-policy making, the focus on the business groups has gained a new dimension. Without a doubt, business in general and TNCs in particular have spread their activities throughout the globe by benefiting from the advantages provided by the technological developments as well as the liberalization of the national economies under the guidance of world institutions such as the IMF, World Bank and the OECD (Axford, 1995: 142.). However, the outcomes of this process for the state's autonomy are disputed by different schools of social science. Held et al (Cited by Philips, 2005) defines the dominant approaches in this debate as 'hyperglobalists, skeptics and transformationalists'. According to hyperglobalists, globalization is an "inexorable, encompassing and irreversible process of integration which heralds the obsolescence of national entities, not only states but also economies, societies, systems of regulation, modes of governance and so on" (Philips, 2005: 91-92). Hyperglobalists argue that the autonomy of the nation-states in policy making is systematically undermined and constrained by the structural power of markets and the global capital. Perceiving the rise of global transactions and the liberalization of markets as leading to increasing power of the TNCs and other

non-state actors at the expense of the nation-states, the hyperglobalists argued that the nation-state actors would have limited space in policy making. Indeed they argue that globalization dissolves and problematizes the political autonomy and the sovereignty of the nation-state especially looses economic autonomy in relation to global economy (Keyman, 1999; 23). Thus, being incapable of independent goal formulation; only national governments are under constant pressure from other states as well from non-state actors in policy-making.

Globalization skeptics attack hyperglobalists' argument from two crucial points. Firstly, skeptics argue that globalization is not a new phenomenon. They claim the existence of a more liberalized and internationalized world economy before 1914 (Philips, 2005: 95). Thus the globalization arguments for these authors should be taken as the continuation of the liberalization trend rather than a new phenomenon. Secondly, the skeptics are against the so-called dichotomy between the national and the global and the convergence hypothesis. Instead, the notion of convergence has been challenged by the "myriad manifestations of national divergence in state strategies and capabilities, domestic state institutions and modes of corporate governance and business systems" (Philips, 2005: 95).

A third school of globalization on the state autonomy issue argues for an intermediate position between the hyperglobalists and the skeptics. Transformationalist school accepts globalization as a new and powerful process of transformation but it rejects the notion of convergence in the single globe (Philips, 2005: 95). Moreover, the transformationalist school draws attention to the stratification phenomenon, by which some states, societies and communities are becoming increasingly enmeshed in the global order while others are becoming increasingly marginal.

These debates on the effects of the globalization as a process on the autonomy of the states are rooted in the debates on the relationship between the state and non-state actors that have revolved around first the political scientists and later International Relations scholars. In the article Nicola Philips (2005) deals with two state debates that counter on the theme of the state's autonomy from the non-state actors. Philips describes the first state debate that has turned on state-centric Weberian theory and society-centric Liberal and Marxist theories. According to the society-centric approaches, the state is an arena that "represents, reflects and is inherently constituted by dominant societal interests and social forces" (Philips, 2005: 85). For liberalism, especially for liberal pluralism, the state is an arena of competing interests that are aggregated and arbitrated. The state's role in liberal pluralism is reduced to securing individual rights and freedoms. Thus, liberal pluralism neglects the question of the state's autonomy from the societal pressures but argues in favor of the latter's autonomy vis-a-vis the first. Due to its emphasis on the societal actors, Philips notes that liberal theory is called as a theory of society rather than state. As Heper (1991: 3) notes, liberal pluralism works with the theory of representative government; thus, it neglects the state theory. In this sense, pluralism neglects the state phenomenon that has a significant influence over the structuration of the interests groups but take state as a 'helpless victim of interest groups unless interest groups hold each other in check' (Heper, 1991: 4-5).

Marxist theory shares with liberalism the assumption that the state is an arena defined by the interests that it represents (Philips, 2005: 85). According to Axford (1995:127), state in Marxist and neo-Marxist theories is treated as an actor whose autonomy and performance is subordinated to the interests of the dominant class. Thus state does not have an independent existence but is just a mechanism to

reproduce class relations in favor of the bourgeoisie. Marxism, like pluralism, fails to grant autonomy to state. Moreover, it subordinates political culture to class relations and neglect the existence of state culture.

Besides the nation-states as the dominant actors in the world arena, Axford (1995: 2) argues for the existence of a wide variety of non-state actors, such as ethnic groups, individuals, voluntary associations, formal organizations, etc, whose status has been legitimized during the modernization of Western societies and during the spread of Western culture to other parts of the world. The author correctly points out the situation as it applies to the western part of the world. However, as Buğra (2005: 25) notes, the spread of western values and institutions does not automatically accord legitimacy of the non-state actors. Indeed Axford falls into the problem that Philips underlines. According to Philips (2005: 83), the study of states in IPE has been dominated by empirical focus on the small collection of the advanced industrialized states, usually those with liberal democratic characteristics. This reliance on the experiences of a small number of states to explain the retreat or dominance of nation-states in the international arena has led to a range of biases in explaining the cases not involving dominant states.

The problem mentioned by Philips is evident in the case of Turkey. Turkey has been a part of the Western world since the end of the 2nd World War. It has participated in Western oriented international organizations such as the IMF, OECD, WTO and NATO. Moreover, Turkey has signed the Ankara Agreement with the EC, with the ultimate aim of entering the EU. Turkey-EU relations developed further by the Customs Union agreement, which granted candidate status to Turkey in 1999 and started negotiations in 2005. On the economic side liberalization of Turkish economy and promulgation of the Customs Union

agreement in 1995 institutionalized interdependency relations between the EU and Turkey. However these developments do not mean automatic internationalization of western values and the primacy of market economy principles by the national elites. Besides, although these developments have brought Turkey's identity and political structure into debate, Turkish politics is still characterized by a situation where the state dominates societal actors. In other words, the strong-state culture in which the border between the economy and politics is blurred, dominates civil society in the case of Turkish politics.

We should acknowledge the rising importance of civil society in general and big business in challenging the state's dominant role in politics and in foreign policy making and underline the structural changes in Turkish economy that have contributed to the economic power of big business. However, we also need to recognize the difficulties that big business faces in transforming its economic power into political influence. Turkey faces structural changes in both the economical and political realms with the liberalization of economy, integration of Turkish economy into the EU and the rise of civil society. But these structural changes do not automatically alter the strong state tradition and the political culture based on it. Despite the rise of international transactions of the Turkish peak business and their dominant status in the Turkish economy, Turkish entrepreneurs are still dependent on the governmental policies in two senses: firstly, they are negatively affected by the governments' populist policies where these lead to crises in Turkish economy; and secondly, business activities in Turkey are met with suspicion both from the state as well as from the public. In this sense, the strict separation between the political and economical realm that is assumed by the liberal and Marxist theories does not fit the case of Turkey.

Rather, the political realm of the governments in some respects determines the parameters of the economic realm in which the private sector operates. Indeed, it is the state that has contributed to the economic power of the private sector by supplying credits, subsidies, rents and even by populist redistribution policies that affects the private sector negatively.

Change is a complex phenomenon having uncertain results. Turkey has witnessed both the transformation of state's role in economy and the rise of international linkages of Turkish peak business. However these transformations do not automatically alter state-business relations. Indeed, as Heper (2000: 63) notes, continuation rather than change characterizes contemporary Turkish politics as well as state-business relations. Thus, the internationalization of economy and the increasing linkages of Turkish business with foreign markets and firms do not challenge the traditional domination of Turkish state over the private sector. In such a context, internationalization, and the EU in particular, can serve as external means to challenge traditional domination of state over the non-state actors, particularly Turkish business, and to increase the political power of big business to the extent that their credibility is guaranteed. In other words, international factors can exert pressure over Turkish governments in favor of non-state actors and can contribute to the power of the private sector in policy-making, a thing that Turkish peak business groups have always demanded, as long as international factors provide strong stimuli.

Turkish peak business is represented first and foremost by Turkish Industrialists' and Businessmen's Association (TÜSİAD). This work will deal with state-business relations in the context of Turkey's EU membership with reference to the case of TÜSİAD.

In Turkey, commercial and industrial interests are represented by several organizations, mainly by TÜSİAD, The Confederation of Artisans' Associations, and Employers' Associations (TİSK), the Union of Chambers of Commerce and Industry (TOBB) and MÜSİAD¹. Despite the existence of a variety of business organizations, TÜSİAD has a special place both in Turkish politics and in Turkey-EU relations.

TÜSİAD is important due to two facts: it is formed voluntarily, and it undermines the national rhetoric that the anti-European coalition uses, in favor of the EU-related reform process.

Firstly, TÜSİAD is an organization that is based on voluntary membership. The importance of this fact becomes clear when we consider Turkish state's heavy influence on the formation of entrepreneur associations. That is, in the Turkish case, the private sector has been organized around the chambers that have been recognized as the only legitimate organizations allowed to represent the interests of the sectors for many years. Thus, voluntary associations of the private sector have been overlooked. Indeed they were perceived as seeking individual interests at the expense of the public interests, which led to the state officers to overlook their importance. This resulted in the problem of gaining official legitimacy for voluntary associations. Ironically this problem contributed to the formation of TÜSİAD: The suspicious attitude of the state towards entrepreneurs that were not under the control of state organs such as TOBB made it necessary for the founders

¹ Weiker (1981) points out these interests groups except MÜSİAD. However after its establishment, MÜSİAD has been an important interest group. Due to this, we found it necessary to include MÜSİAD. Despite the ones mentioned above, there are other less influential business associations that represent the local interests. For more on these organizations, see (Vorhoff, 2001). Additionally these groups have formed councils such as the Free Enterprise Council in 1976. However these organizations could not function effectively due to the conflicts within the entrepreneur associations.

of TÜSİAD to establish such an organization voluntarily in order to dispel the suspicion about independent groups

TÜSİAD is not the only business association that is formed voluntarily; there are voluntary business associations such as TISK and sectoral associations such as Association of Textile Industrialists. However as Vorhoff (2001: 312) points out, these associations have limited space for political action. These associations have been mostly involved in economic matters or in sectoral problems rather than in foreign policy. This increases the political importance of TÜSİAD, especially its influence on Turkey's EU accession bid, as a subject for investigation.

Secondly, TÜSİAD is the most significant organization, capable of countering the anti-European demands. EU-related reform process brings the rise of groups who are in favor of the status quo or the reform. TÜSİAD as a pro-European association has informed the public as well as the national authorities on the benefits of the EU membership for Turkey. TÜSİAD has undermined the nationalist rhetoric against the EU membership. TÜSİAD has also persuaded the European public and the EU political authorities on possible contributions of Turkey to the EU.

We take TÜSİAD as non-governmental organization that is more than the sum of its components. In other words, TÜSİAD does not represent the particular interests of its members, but the interests of the business corporations, in general. This idea is reinforced by the holding structures of TÜSİAD member companies. Most of the TÜSİAD member companies are holdings engaged in a broad range of economic activities, such as banking, infrastructure investments and industry.

Thus, as Bugra (2005; 337) argues, TÜSİAD acts a class organization that represents the general interests of the private sector.

This work will attempt to answer four questions: What are the obstacles on the involvement of non-state actors, mainly TÜSİAD in policy-making; in relation to this, what are the reasons behind TÜSİAD's pro-European attitude; and, how has TÜSİAD contributed to Turkey's process of integration with the EU?

We mainly argue that Turkey's EU membership for TÜSİAD acts as an external anchor that will transform the existing state-business relations in Turkey which currently damage the interests of Turkish business by two means: populist policies of the Turkish governments that lead to economic crisis; and, unclear status of Turkish business in Turkish society. Accordingly, due to the strong state tradition, which is inherited from the Ottoman Empire, non-state actors are perceived by the national elites as potential threats, which results with heavy control of Turkish state over non-state actors. In addition to this, entrepreneurial activity in Turkish political culture is not seen as legitimate. These two facts result with the fluctuating relations of business and state in Turkey that hinder the social position of Turkish business. Moreover, as a result of high costs of being out of power, Turkish political parties apply populist policies that lead to economic crisis and reward Turkish business as long as the latter supports the governing party. The promulgation of the Customs Union agreement and the liberalization of Turkish economy do not change this picture. Thus, TÜSİAD as the association of the Turkish peak business take the EU as an external anchor to institutionalize state-business relations and to sustain economic and political stability. Due to this, TÜSİAD pressures both Turkish governments and the EU circles through the use

of the EU institutions, publications, advertisement campaigns and direct contacts with both Turkish and the EU politicians.

Paradoxically, it is the strong state that challenges the power of TÜSİAD. In other words, although TÜSİAD aims to challenge the state tradition that leads to economic instability and prevents the peak business to transform their economic power into political one, the strong state tradition, prevents collective action of TÜSİAD members and challenges the power of TÜSİAD.

In order to prove our thesis we will organize the work as followings:

First chapter will deal with the conceptualization of the strong state tradition thesis. Main characteristics of strong state will be defined. It will be argued that the absence of intermediary structures and the patrimonial state culture reinforces each other. These lead to the absence of an indigenous bourgeoisie. Thus, it was the state that created the national bourgeoisie through state intervention in economy. However, as a reflection of the patrimonial state understanding, the state supported business groups who were loyal to the state. Moreover the state exerted heavy control over the associational activity since it perceived the business as potential threats that could challenge the order.

As a result of party-centered politics and the centralization of the economic power in the hands of the governing elite, government's support for business was based in the loyalty to the governing party. This ended with patronage politics, which left little room for associational activity.

Second chapter will deal with the reflections of the strong state tradition on Turkish business. As a result of the primacy of collectivity, a value that is inherited by the state elite as well as the public, entrepreneurial activity is seen as illegitimate. The negative image of the businessmen was reinforced by the rent-

seeking behavior of the Turkish business. Rent-seeking behavior was a result of absence of long-term economic plans, state protection and economic uncertainty associated with populist economic policies.

Another important consequence of strong state tradition on Turkish business is the development of informal relations with the politicians. Since interest groups have not been institutionalized or cannot reflect the interests, Turkish businessmen have developed patronage networks with the governing parties. This was reinforced by the populist democracy practices.

Third chapter will deal with TÜSİAD-state interactions. Firstly general characteristics of TÜSİAD will be given. Next, the emphasis will be on the economic significance of TÜSİAD. Here, the influence of economic policies on TÜSİAD member firms will be given in order to indicate the effects of state policies on Turkish business. Finally development of TÜSİAD and state-TÜSİAD relations will be given in a historical manner.

Fourth chapter will deal with TÜSİAD's pro-European activities. TÜSİAD's perception of globalization, EU and democratization will be given. Next, it will be dealt on the contributions of TÜSİAD for Turkey's accession to the EU. Finally, the deficits of TÜSİAD will be discussed.

CHAPTER I

STRONG STATE TRADITION

Absence of civil society and interest group politics in Turkey has been explained by reference to a strong state tradition that had been inherited from the Ottoman Empire and was further consolidated in Turkish Republic. The absence of intermediary structures acting to pressure government for the special interests of societal groups has led to the rise of the state as an autonomous actor on the political scene. This does not neglect the existence of a plurality of societal groups such as *ayan* (land owners) and *ashraf* (notables: tradesmen and small landowner). However these actors did not evolve into intermediary structures in order to pressure the state, but to serve agents of the state. Moreover their economic status depended on having good relations with the central government. Thus these groups could not convert their economic power into political power. Additionally, further centralization of administrative and economic structures starting with 19th century administrative reforms eliminated the rise of societal groups. This trend continued into modern Turkish Republic. Although Turkish history witnessed the rise of the private sector, entrepreneurs could not acquire independent political power since their economic power continued to be determined by their close ties to the state. Indeed this determinacy caused the entrepreneurs to seek personal

relations with national elites and resulted in the fragmentation of the private sector, eliminating the formation of strong interest groups capable of pressuring the government until 1990s, when the EU as an external actor started to influence the nature of Turkish domestic politics.

This chapter will attempt to define the basic characteristics of the strong-state tradition. There are four political dimensions of the state tradition in Turkey: Absence of intermediary bodies; patrimonial state understanding; primacy of collectivity; and, strict control over associational activity. First three factors existed together in the Ottoman Empire and reinforced each other. In other words, the political culture of the patrimonial state eliminated the rise of the autonomous groups but this also contributed to the strengthening the patrimonial culture. These resulted with the status of the civil society that is determined and heavy controlled by the state.

Next, the economic dimensions of strong state tradition will be examined. It will be focused on the developmental state and populist practices.

1.1. Absence of Intermediary Bodies

The blurred distinction between the economic and political realms is related with the absence of bodies that act independent of the state. Unlike the social structure of European states, Ottoman Empire lacked powerful economic groups, such as feudal lords, estates and the bourgeoisie developed into autonomous structures that could challenge the authority of central governing entity. Rather the social structure of the Ottoman Empire was described by İnalcik (Quoted by Mardin, 1969: 26) as follows:

Ottoman society was divided into two major classes: The first one, called *askeri*, literally the 'military', included those to whom the Sultan delegated religious or executive power through an imperial diploma.... The second included the *Reaya*, comprising all Muslim and non-Muslim subjects who paid taxes but had no part in the government. It was a fundamental rule of the Empire to exclude its subjects from the privileges of the military.

Several factors account for this structure based on the strict division between 'ruler' and 'ruled'. Mardin (1969: 31) explains the reason for the absence of the civil society, composed of social groups that could operate independently of central government and based on property rights with reference to patrimonial state understanding. As a consequence of patrimonial state understanding, the sultan felt obliged to protect the guilds against the merchants. More importantly, by centralizing the administrative structure and by denying corporate personality and independent authority to towns, the state eliminated the formation of oligarchies of merchant capitalists (Mardin, 1969: 27-28). Thus, despite the rise of commercial activities in the 19th century, the commercial groups could not evolve into powerful economic groups due to the centralization of power as a result of the previously formed political culture.

Özbudun (1988: 2-4) deals with three other features that reinforce the distinction between the ruler and the ruled and that eliminate the rise of what Özbudun calls as intermediary bodies. The first one is the *recruitment* (*devsirme*) system in which male children of Christian subjects were reduced to the status of slaves and were recruited for service to the state. Thus they were not in a position to challenge the authority of the Sultan. Secondly, the land tenure system that "vested in the state the original ownership of all the land and limited the rights of the *sipahi* (fief holders) to the collection of taxes and the supervision of peasants

under their jurisdiction” prevented the rise of the class of tenants-in-chief as a rival force against the Sultan (Özbudun, 1988: 4). Thirdly, unlike its European counterparts, the Ottoman Empire did not pursue mercantilist policies by which a powerful merchant class that would challenge the central authority could rise. In addition to these Heper (1991:13) notes that the ethnic division of labor prevented the rise of a powerful merchant class. Non-Muslim minorities, which took the lead in mercantile activities, were excluded from the opportunity to turn their economic significance to political power, due to the Islamic character of the state and the organization of the non-Muslims under the millet system.

The absence of intermediary bodies does not mean the absence of socio-economic groups in the society. Rather it means the impossibility of acted outside of state restrictions. Thus we can speak of the existence of pluralism among the community of the ruled, including religious agencies, nationalities, sects and tribes. However this pluralist structure did not result in the autonomy of these groups standing between the Askeri and Reaya². Mardin explains (Cited by Özbudun, 1988: 31) this with reference to the dominance of ‘status-based’ values rather than ‘market derived values’. As a result of the bureaucratic nature of the Ottoman Empire, political power provided access to material wealth, instead of economic power leading to political power. This hindered the rise of economically powerful groups as independent political powers despite the increase in their economic

² Unlike Özbudun, Emre Kongar (2002) takes ayan and ashraf as intermediary bodies. According to Kongar, these classes with the role of mediator between the husbandsmen have been the economic power behind the war of independence to which a significant part of the centralist power will have joined. Kongar correctly points the subversion of the land regime that has increased the strength of these intermediate classes. However he does not consider that centralization of the administrative power by the 19th century reforms have reinforced the authority of the central administration against the intermediate classes. Moreover he also neglects the dependency of the ayan for state privileges. Due to this reason, it is not plausible to assume the existence of intermediate and autonomous classes.

power. Özbudun (1988: 32) notes that “accumulated wealth could not be converted into more permanent economic assets because it was liable to confiscation by the state”. Thus, although we can witness the powerful economic groups such as the ayan and ashraf, these groups did not evolve into interest groups autonomous from the state. Rather they acted as state officers. According to Mardin (1969: 36), by refusing to allow existing social groups any political autonomy, the state made the intermediary structures dependent upon it for support. Tax farming was used as an important tool to challenge the autonomy of the ayan. Heper (1991: 14) says that the interests of the notables in tax-farming privileges, but not in productive enterprise, led to the establishment of vertical links with the state rather than horizontal links among themselves. Thus, as in other Middle Eastern states, economic life was dependent on the magnanimity of the state.

Similarly, Heper (1985: 100) treats the absence of a middle-class ethics as a result of the absence of intermediary structures. He examines the case in Europe, where the rise of the absolute monarchies was followed by the strengthening of the entrepreneurial middle class. Heper notes that the state in the Europe helped the middle class by such means as mercantilism and then assumed the role of an arbitrator and finally became a positive state. However such a dynamic structure was absent in the Ottoman Empire. This resulted with the absence of ‘bourgeoisie politics’, which contributed to the dominance of the state over civil society.

1.2. Patrimonial State

The notion of the strong state implies a doctrinal attachment to the primacy of the state (Larrabee&Lesser, 2003: 20). Akarlı (1975:135) says that state, as a socio-cultural phenomenon is “an autonomous collectivity of government institutions that constitutes a distinct sector of the society”. It is the political organization of the collectivity to which primacy is attributed. State is responsible for two things: welfare of the subjects and the protection of the order. Therefore, any development that could challenge the order as well as state’s dominant position is strongly reacted by the state.

The paternalistic understanding of the state can be seen in the words of the leader of TÜSİAD (Cited by Heper, 1985: 103):

In this country, our philosophy has always been that of taking the “papa state” (Devlet Baba) as paramount, refraining from challenging it, and of pursuing an economic policy, not in spite of, but with the Papa State...Hesitancy on the part of the members of private sector to run for public office stems from the belief that the state is influential, and that alienating the state would not bode well for them. Let me give you an example. Today in Turkey every businessman thinks that even if he has not done anything illegal, the state, if it chooses to, may find a pretext and crush him

Heper (1991, 13) explains the primacy of the state by reference to the militaristic structure of the Empire. Accordingly, the key role, played in the Ottoman Empire, led to the consideration of law and order as a state norm. Consequently, the statesmen of the Empire felt themselves under an obligation to save the Empire from both internal and external threats, which reinforced hostility towards representation of the interests.

Özbudun (1988: 2) stresses the importance of Islamic culture and its emphasis on order. Accordingly, in the Ottoman Empire, the social order was “of divine origin and hence immutable”. In other words, legitimacy of the order was

not derived from the society but was imposed upon society by the will of God. Thus by using the *askeri*, Sultan was responsible for maintaining the order and keeping everyone in their appropriate position.

The absence of the intermediary bodies constitutes another important point that reinforced the autonomy of the state and patrimonial culture. As a consequence of the absence of rival locus of power, there has been no room for corporate bodies with a relatively autonomous and legally defined status (Köker, 1995: 54). This resulted in the autonomy of the state. Thus state apparatus is not the “captive or handmaiden of any particular social classes but has sufficient autonomy from the classes to make decisions that can change, eliminate or create class relations” (Özbudun, 1988: 39).

As Heper (1985: 56) notes, the omnipotent state understanding has continued in the Turkish Republic and resulted with the elitist understanding of the statesmen. According to Heper, Atatürk had in mind the idea of the Hegelian state that would safeguard the general interests without overwhelming civil society. Heper (1985: 50) argues that Atatürk believed in the existence of genuine feelings and desires that could be ascribed to the nation and a collective conscience that would be discovered by the true *inkilapçılar* (revolutionaries) and the *halkçılar* (populists). The Kemalist elite believed in the capacity of the people, but saw that people by themselves would not direct their efforts to this basic aim due to their Ottoman past, during which people had been deprived of any capacity to take initiative. Thus, people could discover their collective conscience or the general interest, as progress to a more civilized way of life took place (Heper, 1985: 63). Therefore the basic aim of the state was to elevate the people to the level of contemporary civilization. It was the state that was obliged to enlighten

the masses by imposing modernization reforms from above. In this sense, consulting with public opinion meant shaping it, in the eyes of the Kemalist elite. As Heper (1985: 51) says, “public policy was not expected to be the outcome of a detached aggregation of interests, but the consequence of a search for ‘truth’ and ‘the one best way’ which was the moral obligation of the educated”. Consequently, the Republic for Ataturk was not a regime in which full sovereignty was to be exercised by the people but should, at least a part, be exercised by non-elected institutions, such as presidency, with the aim of guarding the real interests of the people and the ideals of the Republic (Heper, 1985: 59).

The emphasis of the Kemalist elite in the true interests of the people meant excluding ideas that did not fit the republican ideals. As Heper (1985: 62) notes, the general will was more than the decision of the community made by voting. Therefore public opinion that did not fit the ideals of the Republican elite was not considered to be the general will, but only personal interests. This elitist view of the general will can be interpreted as the continuation of rulers’ suspicion towards particular interests. For the rulers, particular interests had to be subdued to that of the general interests. This is evident in the clash between the state elite and the political elite in Turkey. By dealing with the case of Germany and France, Heper and Çınar (1996: 484-485) define state elite as responsible for the long-term interests of the community and accountable to the people as a collectivity, whereas the political elites are responsible for representing particular interests and are accountable to their disparate constituencies. The authors argue for the absence of the accommodation between the state elite and the political elite in Turkish case. In order to explain the Turkish case, the authors deal with the conflict between the non-elected bureaucracy and the elected Democrat Party

regime. Accordingly, DP leaders claimed to represent the national will whereas the bureaucracy accused of DP for applying populist policies at the expense of the 'best interests' of the country (Heper&Çınar, 1996: 488). In a similar vein, Cizre (1997:156) deals with the relation between the political elite and the state elite and says that the hallmarks of the political elite according to the state elite and particularly the military were "praetorianism, instability, inefficacy, careerism, populism, lack of prudence, corruption and irresponsibility". This example clearly shows the state elite's negative perception of the representation of the particular interests by the political parties.

1.3. Primacy of Collectivity

Turkish political culture ascribes primacy to collectivity over the individual. Turan (1988; 96) notes that state, which is "considered as the symbol and the means of fulfilling the highest moral aspirations of collectivity", is the political organization of collectivity, and says that:

(state) is a sacred institution, which is to be protected against the arbitrary and capricious challenges of individuals and social groups. Often in the high interest of the state or "for reason of state", is thought to be sufficient explanation and justification for governmental or bureaucratic action. Citizens, on the other hand, can be convicted for having insulted the fictitious personality of the state.

According to Turan (1988; 96), the primacy of collectivity in Turkish political culture has two indicators: The first indicator is the emphasis on group solidarity. Consequently, there is lack of tolerance for those who deviate from the group. Thus, individuality and deviance from group norms were punished;

conformity to these norms was rewarded by the bureaucratic agencies, political parties and even by the voluntary associations (Özbudun, 1988: 34).

The second indicator of the primacy of collectivity is the rejection of class-based politics and class struggles. The emphasis on the rejection of class conflicts and the particularistic outlook of classes has continued under the Turkish Republic. As Özbudun (1988; 33) notes, Kemalist notion of populism rejected class conflicts and favored the harmony of interests through paternalistic policies. This prevented the institutionalization of a legitimate opposition at the cultural level. Thus, as Özbudun claims, the distinction between legitimate political opposition and treason is blurred. Indeed, opposition is perceived as a danger to the unity of the nation.

1.4. Developmental State

The economic dimension of the strong-state tradition is related to the patrimonial state understanding. State, as the ‘father of its subjects’, aims to protect the social order and the well-being of its subjects. In the Ottoman case, Sultan had duty of *hisba*, which means that the ruler was responsible for the well-being of the subjects (Heper, 2000: 65). Thus the state elites, which perceived development as the step for the well-being of the think of the society, gave priority to the goal of development.

In the late 19th century, development was considered as the key for the protection of the Empire and the order. Traditionally, the Ottoman ruling elite equated industrialization with development, which was the cure for the problems of the empire. However the distribution of the economic power on the basis of millet system and the concentration of the economic activities in the hands of the

non-Muslim minorities that had close relations with European counterparts led to the importance of the creation of the Muslim industrialists in the eyes of the ruling elite. Therefore, the problem for the Ottoman rulers was not just a creation of the industrialists but also the creation of the Muslim industrialists in particular and Muslim entrepreneurs in general. Disturbed by the economic dominance of the non-Muslims, both the politicians and the intellectuals aimed to develop a Muslim entrepreneur class³. Thus, in 1913 law for encoding the industry was enacted and in force until 1927 (Buğra, 2005: 67)⁴.

The idea of the developmental state with emphasis on the industrialization and the creation of Turkish entrepreneurs continued into the first years of Turkish Republic. This time the reason for the emphasis in the industrialization was to reach to the level of contemporary civilizations. Kemalist elite perceived the state as ‘the agent of modernization’ (Kaya, 2004: 82). It sought to establish an industrial base so that the new republic would not face the dilemmas of the ex-regime. Nevertheless the emphasis on the creation of national bourgeoisie on the basis of active state support for private accumulation continued (Kaya, 2004: 89). The private sector benefited from lack of competition with the non-Muslim counterparts, due to the exchange of the population with Greece and the expulsion of the Armenians. Moreover state continued to help the private sector with the law for encouraging industry. On the other hand, the decisions of the Congress of Economy of Izmir on the encouragement of private initiative created the

³ Unlike the Western states in which the law is the ‘protector of the property’, Law in Ottoman-Turkish states is the ‘creator of property’. This gives the state right to transfer the property to those that have good relations with the state and that support the governing parties. In this sense, ‘right of property’ does not have strong bases. (Akalin, 2002: 58)

⁴ Industrial Encouragement Law was renewed in 1927. This law affected firms that employed more than 750 man-days of labor per year. Government granted these firms free land up to ten hectares. These firms were to be exempted from taxes on land and immovable property and profits, and import duties on machinery and construction materials, which were not domestically produced. (Hale, 1981: 43)

necessary environment for the development of the industrialists in Turkey. However Turkish experience shows that rapid industrialization by the hands of private sector did not take place as expected. This resulted in the application of the statist policies in 1930s.

The reason for the direct involvement of the state in economy in the form of SEEs (State Economic Enterprises) can be explained according to the “late industrialization” problem. As Buğra (2005: 34) asserts, late industrialization has been a fundamental problem in Turkey, both for state-business relations and for economic development. The author uses the term ‘late industrialization’ in order to define states in which industrialization has developed without the local capacity to develop technology. In such states it is impossible for small firms to develop into larger ones due to the lack of entrepreneurial qualities of the businessmen and due to the lack of the capital for the transfer of the technology. Thus state involvement becomes necessary (Buğra, 2005: 35). In a similar vein, Vorhoff (2001: 312) points out the consequences of the late industrialization in Turkey, namely heavy state involvement in economy and creation of the national private sector. According to the author, the Kemalist mission to reach the level of contemporary civilizations had assumed industrialization and economic development as top priorities. Thus the industrialization that the private sector could not maintain was planned to be done by the statist policies and by the formation of public enterprises.

Etatism reflects the pragmatic stance of the state elite⁵. It is not an ideology; but is the attempt of the state to realize the priorities (Hale, 1981: 55). It never

⁵ Hale (1981: 50) notes that private capital and entrepreneurial skills were short in supply; fiscal and other forms of support for industry did not result with industrial investment. Thus RPP aimed to force industrialization through state enterprises

attempted to replace the private sector, but aimed to substitute for the private sector. Thus, by etatism, state did not threaten the private sectors' position, but aimed to strengthen it. As İlkin (1993: 188) notes, the etatist policies provided Turkish private sector with considerable commercial capital. The state, as Vehbi Koç (Cited by İlkin, 1993: 187) notes, had been the primary buyer that obtained “contracting business and turned it over to the private sector”.

Although etatism aimed to create a national industrialist class, the state could not encourage industrialization in private sector. It was in 1950s when a national industrialist class began to emerge. İlkin (1993: 189) argues that the main reason for this change in the attitudes of Turkish private sector was related to the implementation of an import-substitution policy as an attempt to solve the problem of shortages of exchange. Except 1950-53 and 1970-73 periods, during which foreign-trade liberalization attempts were applied, Turkey, until 1980, applied import-substitution industrialization policy (Şenses, 1994: 52). Öncü (1980: 468) summarizes the ISI (Import-Substitution Industry) model as follows:

1. Heavy reliance on foreign loans and credit to finance industrial investment
2. Introduction of customs duty and charges concessions; fiscal favors such as tax rebates, etc., to import-substituting industries
3. Introduction of tariffs and quotas to reduce competition from imports
4. To meet the demands of the assembling industry and industry depending on imported raw materials, an increasingly large percent of available means of imports being allocated to raw materials

Through use of cheap credits, protectionism, and state intervention in infrastructure, it was expected that dependence on foreign countries would decrease (Gülfidan, 1993: 46). Thus, in order to protect Turkish infant domestic industry, tariffs and quotas were put on import.

ISI model had certainly encouraged Turkish businessmen to invest in industry. In 1963, private sector had the share of 55.8% in total production of

manufacturing industry; in 1976 this increased to 64.9% (Gülfidan, 1993: 47). Moreover, 55% of TÜSİAD member firms were incorporated during this period.

Another factor that indirectly affected industrialization was the increasing economic power of the private sector as a result of the 2nd World War. The War created opportunities for the urban commerce and the local notables that have acted as intermediaries between the national market and the peasants. The commercial sector gained huge profits from imports due to the unavailability of the imported goods. On the other side, notables increased their well-being by buying products at moderate, but selling them at high, prices (Turan, 1988: 70). This resulted in the rise of the middle class in Turkey as well as the increase of the capital of the private sector.

Turkish businessmen also made use of the DP policies that carried certain characteristics of liberal economic policies (Elder, 2004: 54). Firstly, the DP regime adopted a liberal outlook in foreign trade. DP regime has also been supportive of the development of a private sector. The DP regime sought to provide rapid industrialization through industrial and infrastructural investments⁶. DP governments benefited from the Cold War atmosphere to gain use the external sources of funding investments and the incentives for industrialists and the agricultural sector.

Final factor that encouraged industrial investment is the confrontation with the West during the DP period as a result of the Cold War atmosphere İlkin (1993: 185) notes that “DP’s ascent to power in 1950 which gave high priority to private enterprises, the acceleration of foreign capital investments, the Western

⁶ Although DP government proposed for the privatization of SEEs other than those that engaged solely in fields related to basic industries and having a public service character, Turkish firms were reluctant to privatization. Hale (1981: 89) explains this reluctance according to the Turkish businessmen’s tendency to “invest their capital in something which they could personally control”.

education of a great number of students, and the establishment of academic institutions which provided Western-type education in Turkey created favorable conditions for Turkish business in encountering with the foreign firms.

The main development that shifted Turkish firms from commerce to industrial activities during 1950s was the establishment of *Türkiye İsmail Kalkınma Bankası* (Industrial Development Bank of Turkey) under the auspices of World Bank. The aim of TSKB was to support, enlarge and establish private industrial enterprises, and to help Turkish enterprises and foreign firms to participate in Turkish industry (Sönmez, 1990: 71-72). Main portion of TSKB's resources came from World Bank and the Marshall aid.

TSKB has important contribution for the establishment of Turkish private industry sector. In their memories, TÜSİAD founders such as Nejat Eczacıbaşı (1982) and Sakıp Sabancı (1985) deal with the importance of credits lend by TSKB for establishing industrial bases.

Before 1950, Turkish firms acted as the distributor of the foreign firms and were more commerce-oriented. However, starting with 1950s and especially in 1960s, Turkish private sector has established joint ventures with the foreign firms. Some Turkish firms who assembled the imported parts for the construction of radios, refrigerators, etc, were directly dependent on foreign sources; some firms formed joint-ventures where Turkish firms provided capital while foreign firms brought "in the patent and most of the machinery parts and some managerial and engineering skills" (İlkin, 1974: 493).

Production for Turkish market was attractive for both Turkish firms and foreign firms due to the cheap credits, cheap foreign exchange, state supports and the protection of Turkish market (Sonmez, 1990: 67; Sunar, 1974: 493).

This encouraged formation of joint-ventures. However this also ended with the increasing dependence of Turkish industry to foreign firms for technology and skills, and to the state for supplying foreign exchange in order to obtain necessary inputs.

1.5. Regulator State

National elite's emphasis on the development of national businessmen does not mean that the suspicion towards the non-state actors decreased. While sustaining development; the state elites saw it necessary to keep everyone in its appropriate position. Although the state aimed at the creation of a private sector under the guidance of the state, it was also suspicious of this rising group. Turan (1988: 70) explains the suspicion according to the Ottoman heritage and says that:

Turkish understanding of statecraft inherited from the Ottomans, not only gave the state the responsibility for providing for the welfare of the citizens and maintaining a balance between social groups, but also viewed with suspicion the growth of any socio-economic groups which could challenge the political domination of society by a centrally located bureaucratic elite. Economic change seemed to upset the equilibrium between social groups, and to produce a class, which could compete with the centralist elites for the domination of society.

This suspicious attitude of state towards the businessmen was evident in the case of capital tax. Rather than punishing the speculators that have benefited from the War conditions, RPP government preferred to punish all businessmen, whether speculator or not (Buğra, 2005: 166). The suspicion of the emerging economic groups, coupled with the role of central government as welfare provider and the burden of supporting the mobilized army through the War, resulted in two measures: capital tax, especially on non-Muslims, and the compulsory sale of a

part of agricultural production to the state below market prices (Turan, 1988: 40)⁷. This was a clear sign of the central government's capacity to threaten the interests of the private sector by using the instruments of state (Waldner, 1999: 57-59).

Despite the fact that statesmen have considered private sector as important for development, the state did not establish organic links with societal actors but acted by extending itself into the business sector (Heper, 1991: 14). That is, the state perceived societal actors as rival powers that should be kept under close guidance of the state. It did not oppose development of private sector, but reacted the interference of business to the political realm. In order to maintain the regulation, interest group associations were organized into chambers in the mid 19th century.

Chambers as professional organizations, acted like consultative bodies of the government in economic affairs. They are used as the instruments of the state to control the private sector. They have the status of *kamu kurumu niteliğindeki meslek kuruluşları* (business organizations with the status of public organizations) to which the state has transferred the right to control the profession groups. They act as semi-official organizations in which membership is compulsory. Thus in order to enter the economy, the permission of the chamber is needed. Moreover chambers have the right to force firms to behave ethically, even to prevent their economic activities. They are responsible for representation of the private interests as well as maintaining the public benefit. (Öncü, 1983: 1566) Thus chambers are means through which state expanded its control to the economy by replacing the traditional guilds with the chambers (Heper, 1991: 15).

⁷ Hale (1981: 60-61) notes that these measures, although not fully implemented, felt the private business to be threatened by the government. Thus, private sector, after the transition to multiparty regime, found DP economic policy more convincing, although RPP and DP economic policies were similar.

The organization scheme of the chambers reflects the state's suspicion towards private interests. Chambers are organized locally. In other words, interests of the local entrepreneurs are reflected in the national assembly of the chambers. Additionally, chambers represent the interests of two groups: those of the commerce and the industry. In fact, in most of the cities both commercial and industrial interests are represented by the same chamber. With the introduction of the 1950 law on chambers, establishment of the industrial chambers was permitted. Despite this permission, chambers still have the problem of under-representation of various branches of commerce and industry. This indicates that the state wants to avoid particularistic interests of certain sectors but treats the industry as a whole.

Laws on chambers reflect the idealist stance of the state to create national entrepreneurs as well as the state's suspicion towards the autonomous locus of power. For example, in 1971, the authority of the chambers to allocate foreign currency quotas, which had central importance for Turkish businessmen, was withdrawn and was granted to the Ministry of Commerce (Öncü, 1980: 469). This is a sign of the central authority's suspicion towards the autonomous powers so that it resulted with the centralization of this authority.

Apart from the chambers, the legal framework was a means to control business activity, especially formation of business associations. However the state did not have a permanent attitude towards the associational activities. As Bianchi (1984: 107) notes, "at times, the state encouraged associational organization so that it could more clearly represent conflicting interests within a changing social structure; at other times the state has sought to contain or prevent interest conflict and restructure society to match elite visions for the future".

State policy towards the associational is characterized by fluctuations in which promotion of associational activity is followed by limitations (Bianchi, 1984: 109). Hazama (1999: 71-81) characterizes the control of state over the associational activities with periods alternating between regulation and de-regulation. He deals three waves of regulation and three waves of de-regulation. Except for de-regulation of 1995 in order to facilitate the approval of the Customs Union by the European Parliament, all the amendments to laws on associations were enacted by the government without consulting societal actors⁸.

The first law of association was enacted in 1938 by the RPP regime. Although the restrictions on oppositional activities started after the 1925 Seyh Said rebellion, the status of associations was 'institutionalized' by the 1938 law on associations. According to the law, associations' establishment was based on the permission of the Ministry of Interior. Associations were allowed to have single purpose and were prohibited from engaging in political activity (Hazama, 1999:73).

After the decrease in support to RPP regime in the 1946 election and the rise of DP as the opposition party, RPP leaders were under pressure of the DP group to remove the restrictions on associational activities (Hazama, 1999:74). Thus RPP government amended the 1938 laws in order to remove the restrictions. By the amendment, associations were not required to get the permission of the Ministry of Interior. More importantly, the restriction on formation of associations based on class was removed, which allowed the employees to form trade unions.

⁸ After 1960 military intervention, a constituent assembly composed of military and civilian houses was formed in order to prepare the 1961 constitution. However participation to the constituent assembly was conditioned on the absence of relations with DP regime. Thus, Ankara Chamber of Commerce that had supported DP leaders against the intervention was banned by the Revolution Committee. (Buğra, 2005: 190).

However due to the increase in the number of trade unions and socialist parties, RPP leaders came to the notion that “they went too far by recognizing class-based political parties” (Quoted by Hamaza, 1999:75). This resulted in the 1947 law of trade unions and Employers’ union, which banned class-based unions and socialist parties. Next, in 1952, the DP government amended the 1946 law on association to reinforce the control of associations. The amended law was used by the DP leaders to suppress opposition groups and to change trade unions into DP supportive organizations, and to “reward its supporters and harass its opponents” (Hazama, 1999:75; Bianchi, 1984: 115)⁹.

1960 constitution was regarded as the most democratic marking a shift to a pluralist society and democracy based on the supremacy of constitution and checks and balances (Hazama, 1999:76; Özbudun, 1991: 41). By the new constitution, permission for formation of association was not required and associations could be restricted only for the protection of law and order. However, after the rise of the leftist activities in late 1960s, the 1972 law of associations gave the Ministry of Interior the power to supervise and regulate associations (Hazama, 1999:79; Bianchi, 1984: 117). Finally, according to the 1983 law of associations, restrictions on associations were strengthened (Özbudun, 1991: 42). The 1983 law prohibited political activities by associations and prohibited associations based on religion, class, race, region or sect. It also increased the regulatory power of the Ministry of Interior. Moreover tax reductions and exemptions were only applied to a limited number of ‘preferential associations’ or ‘public beneficial associations’ (Hazama, 1999:67). In order to be recognized, the

⁹Bianchi (1984: 193) notes that the laws on associational activities were constantly violated, even by the governing parties, and were selectively enforced, especially when the governing party feels that the association became too close to the opposition. This contributed to the fluctuations in business-state relations.

law requires that the activities of the association should benefit the state as a whole and should obtain the approval of various state organs, mostly of the Ministry of Interior (Hazama, 1999:68). Thus, during the post-1982 period, the development of interest groups into pressure groups was inhibited (Kalaycioglu, 1991: 80).

1.6. Populism and Distributor State

Populism is one of the deficits of Turkish economy that leads to macroeconomic instability. Populism can be defined with reference to two characteristics (Elder, 2004: 52): top-down mobilization that circumvents all institutional channels between the state and civil society; and, significant change of the coalitional profile of which societal groups are mobilized.

Populism in Turkish case refers to the attempt to sustain a broad- based coalition. As referred before, in Turkish political culture, the state acted as the father of the subject and aimed to protect the order. Unlike the European counterparts in which, the state was the instrument of some sectors of the society, state in the cases of modern Turkey, was autonomous from the interests of the societal groups. Additionally both of the states had made the private sector dependent on state's support for economic gains. In this sense in both cases, the private sector's power was dependent on the generosity of the state. Although both states aimed to create an indigenous bourgeoisie, their support for the national firms dependent on the latter's obedience to the state's authority. In this sense, the state acted as distributor; distribution was based on the obedience to the central

authority in general and the government in particular. Thus despite the rising economic power of the private sector, the entrepreneurs had to develop good relations with the state. Heper (1985: 101) explains this with the following words:

While in the West the burghers developed into self-made capitalists, the economic middle strata in Ottoman-Turkish society lived on the margins of the polity. Later they emerged as a state-made group. As such, they always remained weak in terms of capital, and were dependent upon the state

Our emphasis on the concept of strong state does not imply that the governments are always autonomous from the pressure of social classes. It implies the fact that the representation of interests of different classes is not well-institutionalized. Moreover it implies that the state is not as an actor whose autonomy and performance is subordinated to the interests of the dominant class. Therefore, as Öniş (1992: 4) states, “highly centralized ‘patrimonial states’ that enjoy significant coercive powers plus a high degree of concentration in the policy making process can, at the same time, be extremely weak and vulnerable in a number of key policy areas”. In this sense, strong exist can coexist with weak governments that have to sustain broad-based coalitions. The weakness of the state is brought by the transition to multiparty system in Turkish case.

Transition to a multiparty regime in 1946 had an important consequence for Turkish politics. Bianchi (1984: 35) says that structural changes and the liberal democracy that came after the 2nd World War provided an environment in which political participation became oriented towards the protection and advancement of conflicting interests. Thus, as Turan (1988: 82) asserts, the end of RPP’s regime by the votes of citizens led the citizens to become conscious of their power to change the government. More specifically, the voters gained confidence that the

government had to obtain their consent in order to retain in power. This resulted in the increasing importance of the distributive functions of the government in the eyes of both the politicians and the voters.

In an order, which is characterized by the centralization of resources and absence of intermediary structures with sufficient economic power, political parties sought to remain in power. Özbudun (1988: 40) notes that the autonomy of the state as the result of the absence of intermediary structures brings high costs to being out of power, and says:

because of the high degree of government centralization and the large role of the Turkish state in the economy, “those in the government” have access, directly or indirectly, to an immense amount of resources in relation to the resource base of society, which they can distribute. Conversely, a party is that out of power tends to get weakened since it does not have access to political patronage resources.

Thus, because of the high costs of being out of power, parties are vulnerable to the preferences of the voters. Therefore political parties have developed instruments in order to attract voters who had realized their capacity to change the government. In fact, political parties are the networks by which public patronage is distributed (Turan, 1988: 105). Consequently, voters have become more interested in Turkish politics and have started to identify themselves more closely with political parties (Turan, 1988: 82). Turan (1988: 104) says that:

The central political and economic location of the state in Turkish society means that those in government have access, directly or indirectly, to an immense amount of resources in relation to the resource base of the society, which they can distribute. But because the resource base of society is modest, receiving resources from the government of failure to receive them affects closely the fortunes of many. This creates a tendency in parties to get into power no matter how, backed by constituents who stand to lose a lot if their party fails. Ironically, this also means that supporters are prone to defection rather easily if their party fails to get into government.

As a consequence of the consciousness of the voters and the costs of being out of government, political parties attempted to attract the votes of all segments of the society. The most prominent example to populist policies has been that of DP period. DP won the 1950 elections by constructing a center-right coalition that embraced “private businessmen, large and medium-sized rural producers, and workers, predominantly from the public sector” (Waldner, 1999: 60). During the period between 1950 and 1960, DP tried to mobilize people for support of the party in a populist fashion (Heper, 1985: 100; Elder, 2004: 54-55). Heper (1985: 100-101) calls DP polity as “party-centered polity”, which is “an apolitical party system that is autonomous from social groups as a consequence of the absence of the intermediary bodies”. This party-based nature of democratic regime resulted in populism with a “corresponding bias towards fiscal impudence and macroeconomic instability” (Öniş, 1992: 8).

An important consequence of DP policies to sustain a broad based coalition was the rise in inflation. Öniş (1992: 6) states that, governments, with the need to generate popular support, relax fiscal discipline, which results with macroeconomic instability. This was the situation for the DP regime. DP, with the aim to win votes attempted to provide rapid development through industrial and infrastructural investments and to increase the well-being of the agricultural sector resulted in economic crises (Turan, 1988; 76-77; Hale, 1981: 92; Elder, 2004: 55). The funds needed to finance these efforts could be maintained by external borrowing. However towards the end of 1950s, there was a decrease in external aid and credits. Moreover, domestic borrowing was not a solution since the level of domestic savings was low. DP leaders were disinclined to impose new taxes since

this would lead to a decrease of electoral support. Thus the only way to finance the economic policies in order to protect the broad-based DP coalition was to increase the supply of money by printing currency. This ended in the increasing rate of inflation.

Özbudun (1988: 18) explains the authoritarian tendencies of DP regime by reference to two factors. Firstly DP leaders were socialized under RPP rule, so they inherited many attitudes that were favorable to single party rule. Second reason was the Ottoman-Turkish cultural legacy of lack of tolerance for opposition. As a result, political opposition was perceived as dangerous and there was little space for a legitimate opposition. Thus DP attempted to create a general movement against the government when the party was in opposition and against the opposition when it was in power. (Heper, 1985: 105) Similarly, Turan (1988: 74-75) argues that DP leaders inherited the Ottoman political culture, which had been transmitted to the RPP regime. Additionally, Turan points out two further reasons that explain the failure of the democratic experience under DP regime. Firstly, DP leaders seemed to feel that being in government meant unrestricted use of political power. As a consequence of this, opposition could exist only as long as the government would allow it. Affected by the Ottoman legacy, DP lacked tolerance towards its opponents. Secondly, DP also inherited the idea that state organs could be utilized by the ruling party for the advancement of its partisan interests. Thus the confusion of state and the party continued in the DP era. Indeed resources available to the government were allocated by the DP regime to those who were supportive of the party. As Heper (1985: 102) notes:

the dependence of business and commercial groups on governmental policies and resources in areas such as import allocation, credit and investment and infrastructure continued after the transition to multi-party politics. The government closely controlled the various organizations set up by these groups.

Heper (1985: 107) deals with the effects of the Ottoman political culture on the DP regime and argues that the DP regime opposed the RPP but not the transcendentalist state. Accordingly, political parties in Turkey have always thought that they could do anything they wished and could change the legal system as they saw fit. This understanding was true for the DP regime. Indeed the DP regime's dependence on the national will became a fetish with them. DP leaders thought that since the nation had selected the party, the party that represented the national will had the right to monopolize and to use for their own purposes all the institutions of the state (Heper, 1985: 107). Thus, DP leaders viewed power as absolute (Heper, 1985: 106).

Inflationary policies as a result of the governing party's attempt to sustain broad-based coalitions in order to remain in power became a habit of Turkish governments after DP. Both in the planned economy years and after the liberalization, inflation continued (Elder, 2004: 52). During the years of Import-substituting industrialization, SEEs were used to distribute rents to the governments' loyalists (Elder, 2004: 56). Moreover the conglomerates were satisfied with the ISI measures. Even Vehbi Koç demanded privileges such as guarantees for imports and stable exchange rates, state guidance and support on certain strategic sectors, and the stabilization of wage increases, through state intermediation (Elder, 2004: 57).

Liberalization of Turkish economy did not result with the end of populism.

On the continuation of populism after the liberalization, Elder (2004: 53) notes that:

The Turkish case provides further evidence that neo-liberal technocrats suppress and/or circumvent mechanisms of accountability, and weaken institutional links between society and the state for the sake of 'efficient economic decision-making'. Therefore, accountability and representation, two fundamental pillars of any given democracy, are systematically undermined.

The experience of Turkey under the rule of MP government is an example of the situation that Elder puts. MP government, with the aim of constructing and consolidating a 'right-of-center coalition' among groups with conflicting interests, pressed for rapid growth based on the expansion of the public sector (Öniş, 1992: 12; Waterbury, 1988; Akalın, 2002; Öniş, 1991: 35). This tendency characterized the 1990s. Elder (2004: 61-62) notes that, during the first Süleyman Demirel-led (1991-1993) and later Tansu Çiller-led (1993-1995) centre-right coalitions of TPP, side payments were distributed to the constituencies of the governing parties. Moreover, during the MP-led coalition government (1997-1999) as well as WP-led coalition government (1995-1997), the picture was the same.

Another sign of the continuity of populism in 1980s and 1990s was the exclusion of representative institutions from policy-making. Starting with MP government, technocratic elite, which was directly responsible to the prime minister, challenged the already existing institutions that represented the Turkish business (Elder, 2004: 59). The exclusion of the Turkish business from policy-making through the technocratic decision-making is also evident in the IMF

agreements after the crisis of 1994, 1999 and 2001, in which IMF measures were not publicly discussed and Turkish businessmen were not consulted¹⁰.

These resulted with a macroeconomic environment, characterized by fiscal deficits, high loan rates of interests and accelerating inflation (Öniş, 1992). Thus the liberalization of the economy did not accompanied by ‘retreat of the state’ from the economic realm, but the reconstruction of the state (Öniş, 1991: 28)¹¹. Indeed, Turkey has been the only country that combined liberalization of trade in goods and in the financial markets with lack of stabilization after 1980 (Uğur, 2004: 83). Thus Turkish case is described as ‘liberalization without stabilization’ (Uğur, 2004: 83).

The absence of macroeconomic stability as a consequence of populism and rent-seeking behavior ended with three economic crises in 1994, 1999 and 2001 (Uğur, 2004: 84). This unstable environment discouraged foreign direct investment in Turkey¹²

In this chapter, the characteristics of the strong state tradition are defined. Next chapter will deal with the consequences of the strong state tradition on the behavior of Turkish businessmen.

¹⁰ Öniş (Öniş, 1991: 38) argues that Structural Adjustment Loans (SAL) that were provided by the IMF and the World Bank provided the policy-makers considerable freedom, which augmented the governments’ already existing autonomy.

¹¹ An indicator of the state’s dominance in the economy is the Index of Economic Freedom (IEF). IEF is a measure of “the absence of government coercion or constraint on the production, distribution, or consumption of goods and services beyond the extent necessary... to protect and maintain liberty itself” (Uğur, 2004: 90). According to the IEF scores, government intervention in economy has increased in Turkish case whereas it has decreased in the CEECs. Interestingly, there is a sharp increase in government intervention in the economy starting with 2002. This shows that Turkey has fallen apart in fulfilling Copenhagen economic criteria. This also indicates that despite the liberalization of Turkish economy, Turkish governments have critical role in shaping economy.

¹² Uğur (2004: 84) notes that total FDI inflows between 1993 and 1998 amounted to the 2, 7 percent of Turkey’s GDP in 1998 whereas the ratio was 34. 2 percent in Hungary, 25.9 percent in Czech Republic, and 19. 2 percent in Poland. In terms of stocks, FDI stock/GDP ratio for 1998 was 3.8 percent in Turkey, but 12.1 percent in the Central Eastern European Countries.

CHAPTER II

CONSEQUENCES FOR TURKISH BUSINESS

This chapter will deal with the consequences of the state tradition on the behavior of Turkish business. We argue of three consequences: firstly Turkish businessmen had the problem of legitimacy both in the eyes of the public and the national elites. This image was reinforced by the rent-seeking behavior of Turkish business, which was a result of highly unstable economic conditions, state protection and subsidies, and absence of a long-term economic policy.

2.1 Legitimacy Problem

Szyliowicz (2005: 193) notes that effective functioning of civil society depends on the permission of the state for such a space, and supportiveness of the political culture. For Turkey, the case was reverse. Thus, TÜSİAD as a civil society organization cannot function effectively in Turkey.

Turkish businessmen have continuously faced with the problem of legitimacy in the eyes of both the national elites. For the state, entrepreneurs were potential sources of threat that could challenge the authority of the state and the order, which the state should protect. Thus, businessmen were put under the

control of state agencies. They were seen as legitimate as long as they supported official policies. Otherwise they were told to “look after their business” or “sell their villas” rather than dealing with the policies of the state, whether economic or foreign policy.

Heper asserts that the bureaucratic elite not only supported business groups, but also frustrated their development. According to Heper, (1985: 102) bureaucratic elite perceived entrepreneurs as “profiteers” and “swindlers”. For example, in the 1950s, the Chamber of Commerce in Istanbul demanded that the bureaucracy be respectful of businessmen and not threaten them as ‘thieves with ties’ (Heper, 1985: 103). Heper (1985: 103) quotes the ideas of a businessman who noted:

.... In Turkey, the notion of business is misunderstood. Often the businessman is viewed as a speculator, if not a thief. Business in general and retailing and wholesaling in particular, were for a long time downgraded and looked upon as occupations which no respectable Turk would enter...no great business heroes have emerged in Turkey, no entrepreneur has gained social recognition, and no business leader has ever held public office.

Entrepreneur activity is not seen as legitimate in the eyes of the Turkish public. This is closely related to the political culture, which attributes primacy over particular interests. In addition to this, Buğra (2005: 36) explains the lack of legitimacy of entrepreneurial activity with reference to late industrialization. According to Buğra, an ideology in which individual interests were dominant could not be allowed to develop due to late industrialization. Thus individualist values could not become a part of the political culture. This results with the importance of scarification of the individual preferences for the interest of the collectivity. According to a study conducted in 1958 on university students, most of the participants preferred “service to the nation” over “personal ideals” (Turan,

1988: 96). In such a political culture, entrepreneurial activity is permitted as long as it contributes to the interests of the collectivity: national development (Buğra, 2005: 36).

Businessmen were seen as seeking individual interests over the national interests. In order to reverse this image, businessmen constantly feel themselves necessary to say that “wealth is not a thing to be ashamed of” (Buğra, 2005: 16). Turkish businessmen lack confidence in attributing their actions to the desire for individual material gains. By analyzing the biographies of the Turkish businessmen, Buğra (2005: 16) claims that they try to legitimize their entrepreneur activities by dealing with the social benefits of their acts. Rather than being proud of their successes, they nearly apologize for their personal successes and try to point out how their successes serve the interests of the nation. They establish organizations, but avoid using terms such as interest and class. Rather they express their demands from the state with reference to the notion of national interest (Buğra, 2005: 59).

2.2 Political Exclusion and Patronage Politics

Non-state actors’ political participation of as a crisis is another result of the strong state tradition. Akarlı (1975: 147) defines participation as a crisis as “a conflict that occurs when the governing elite views the demands or behavior of individuals and groups seeking to participate in the political system as illegitimate”.

Turkish businessmen have been excluded from policy-making. Either their demand to participate in policy-making was seen as illegitimate, or they were

demanded to support the official policies but not to counter. Moreover the right to represent Turkish private sector was given to the chambers but voluntary and sectoral associations' participation in policy-making was seen as illegitimate.

Centralization of foreign exchange in the hands of the central authority during the ISI policy period made participation in policy-making for businessmen, especially for large industrialists, an important target. Although participation in policy-making has been institutionalized, these institutions were weak and did not represent the industrial interests and the interests of conglomerates due to the representation system in the chambers. Thus, peak business in Turkey developed personal ties with the politicians, ministers and even the prime minister.

Turkish businessmen's relation with the government was an example of patronage politics. According to Kudat (1975: 66) patronage networks is based on:

Face-to-face relations of a dyadic nature, involving parties of unequal status, wealth and maintenance of the relationship dependent on reciprocity in the imbalanced exchange of goods and services...; the patron usually provided protection and benefits, while the client supplied personal services, loyalty, assistance and general support.

Main reason for Turkish business to engage in patronage politics was the "bureaucratic political economy" that existed in Turkey. Öniş (1992: 8) notes that the main characteristic of "bureaucratic political economy" is the dependence of profits and accumulation on policy rather than markets. This leads to the dependence of the entrepreneurs on the state than on markets. As a consequence of this, entrepreneurs are inclined to interact with policymakers and bureaucrats rather than to exploit market opportunities. Moreover, they are "less interested in articulating their interests and exerting pressure at the stage of policy-making and

more oriented towards individual manipulation at the implementation phase of policies” (Öniş, 1992: 18)

This was the case during the ISI model. Import-substitution policy increased the dependency of Turkish business on state. İlkin (1993: 189) says that “government activities such as prohibiting-restricting the importing of goods which were produced domestically; providing foreign exchange for the import of capital goods and inputs; letting industrialists acquire inputs from the state economic enterprises; and giving credits with low interest rates” are the factors that contribute dependency of Turkish business on the state¹³. As a consequence of this, businessmen had to develop good relations with the state. For example former bureaucrats and even prime ministers, such as Naim Talu, were employed by the large firms (İlkin, 1993: 189).

Another reason for Turkish businessmen to engage in patronage politics was the heavy costs of being in opposition. Bianchi (1984: 106) notes that the state relied on “grants of precarious and revocable privileges to those who cooperate in fulfilling its economic goals” and resisted to “the attempts of those enjoying such privileges to extend them and transform them into permanent and secure rights”. Thus, businessmen felt themselves necessary to develop good relations with the governing parties; otherwise they were punished. For example Sureyya Ilmen was punished by the RPP since he supported the opposition Republican Free Party during 1930 (İlkin, 1993: 190). Similarly, Vehbi Koç resigned from the RPP as a result of DP pressures (İlkin, 1993: 190; Buğra, 2005: 118).

¹³ The importance of the state as the source of foreign exchange becomes clear when we take the results of ISI model on the Turkish business. Bianchi notes that import-substitution led to a self-sufficient industry in production of consumer goods but a heavy reliance on imported raw materials and investment goods (Bianchi, 1984: 48).

The bureaucratic nature of political economy in Turkey made bureaucracy as an important target for Turkish businessmen since bureaucrats “constitute a strategic group involved in the formulation and implementation of development policies, the mobilization and allocation of resources, the establishment and operation of state enterprises, the provision of health, education and other services, as well as the regulation of many other aspects of national life” (Sunar, 1974: 500). Thus, bureaucracy had important control over the mechanisms of rent distribution (Boratav et al, 1994: 65).

Patronage politics and dependence of Turkish private sector to the state had an important consequence: fragmentation in Turkish business. Sunar (1974) argues of a rivalry among the middle class for a better share of the state resources. By referring to the bourgeoisie and the intermediary strata, including bureaucrats, professional and managerial groups and even the skilled workers, Sunar (1974: 483) says:

Action taken by these intermediate groups was in the form of pressure to open up the circle of privilege and to obtain a better share of the limited opportunities. Once they had succeeded, the result was not the implementation of basic social changes but the formation of a new network of protective relationships in the form of kinship and patronage-clientage ties, which served to maintain and improve the ‘middle class status reserved for the few’

As a result of tendency to develop direct relations with the officers in order to obtain particular interests, Turkish business could not form strong interest groups. Heper (1985: 104) states that the state-dependent nature of the Turkish entrepreneurs prevented the rise of strong interest groups and led to the emphasis of the entrepreneurs on establishing good relations with the policy makers and individual manipulation of the implementation phase of politics. Thus, they could not act as strong pressure groups, except in times of crisis. This was evident in

TÜSİAD's passive stance during the Özal government. Therefore, until the rise of an important threat, Turkish peak business could not form powerful organizations.

2.3 Rent-Seeking Behavior

Rent-seeking tendency is the third consequence of the dependence of Turkish business for state support. According to a study conducted by the sociologist Findikoglu in 1965, Turkish entrepreneurs unlike their European counterparts, lack economic initiative, willingness to save and enthusiasm for long-term investments. The situation did not change in the post-liberalization period. Indeed, a study conducted by TÜSİAD on entrepreneurship in Turkey points out the businessmen's reluctance to take risks (Türkiye'de Girişimcilik, 2002) Thus, Turkish entrepreneurs, with a non-enterprising spirit and opportunist character, preferred quick profits (Heper, 1985:104).

Buğra (2005: 59) explains this tendency with reference to the absence of long-term growth strategies. Buğra argues that, when compared to Korea, Turkey does not have a permanent economic policy. This contributes to economic uncertainty and prevents entrepreneurs from seeing themselves as industrialists. Rather, they prefer acquiring short-term rents to their competitiveness or productivity (Buğra, 2005: 56).

Sunar (1974: 490) explains the rent-seeking behavior with the state protection that they have, and states that:

If Turkish industrialists are not very familiar with the uncertainty, which accompanies risk-taking and innovative activity, this is not only because of their privileged social origins but also because of the unusual protection that they enjoy in the form of state-patronage, monopoly opportunities, and concentration of control. For instance Turkish industrialists are not threatened by, but welcome state 'intervention' in the form of state subsidies and the protection they receive in exploiting a limited market. Protected by enormously high tariffs, their fear is not state 'intervention' but competition in any form, whether public or private. The state in Turkey has not been a threat but an instrument in the creation and the protection of a national industrial class.

In a similar vein, Uğur (2004) argues that etatist policies have encouraged rent-seeking behavior. According to Uğur, private economic actors realized that they could exchange political support for privileged access to economic resources controlled by the state (Uğur, 2004: 77). For Uğur rent-seeking behavior was necessary since businessmen had to balance the risks brought by discretionary policies with side payments from the state.

Öniş draws attention to the concept of populist democracy in order to explain the rent-seeking behavior of Turkish entrepreneurs. Öniş (1992: 6) says that “economic reform undertaken without the close cooperation of key societal groups is likely to generate uncertainty, mistrust, and alienation on the part of economic agents and encourage ‘free riding’”.

Thus, until late 1970s Turkish private sector was more committed to the preservation of the status quo rather than its change. State that protected and subsidized low-productivity and high profit units of production was preferred by the peak industrialists (Sunar, 1974: 498). Consequently, Turkish industrialists, lacking any foreign competition, oriented towards “costly, inefficient and small-scale” production (Bianchi, 1984: 54). Moreover, they directed their production

towards highly-protected and more-profitable domestic market than to industrial exports (Bianchi, 1984: 56).

Liberalization of Turkish economy did not result with the disappearance of rent-seeking behavior among Turkish businessmen but changed its way (Uğur, 2004: 80). For example overinvoicing exports as a result of businessmen's attempt to benefit from export subsidies had amounted for the 10% of total exports in the second half of 1980s (Boratav et al, 1994: 62). Thus the export-oriented economic policy, which created new rents was used by the business; indeed it encouraged 'export-oriented rent-seeking' (Öniş, 1992: 17)¹⁴. Boratav et al (1994: 62) relate this to the traditional aim of Turkish state to create a national bourgeoisie and (Boratav et, al, 1994: 62) note:

...in most Third World countries the bourgeoisie itself is a creation of the state and this historical phenomenon has created cultural, sociological and economic traits, which do not disappear with changes in the policy model

Uğur (2004: 95) explains continuation of the rent-seeking behavior as a result of incorrect sequencing. According to Uğur, if new rules and institutions that would check rent-seeking were introduced before the liberalization of Turkish economy, rent-seeking would decrease. However the case was the reverse in Turkey. Thus, rent-seeking became a habit of Turkish businessmen.

In this chapter, the effects of strong state tradition on the behaviors of Turkish business have been analyzed. Next chapter will deal with TÜSİAD's basic characteristics and the reflections of the consequences dealt above, on TÜSİAD-state relations.

¹⁴ Öniş (Öniş, 1991: 31-32) points out the formation of the Foreign Trade Companies (FTC) as a result of the export promotion measures. In order to benefit from export tax rebates, large holdings formed FTCs and increased their share for about 50 percent of Turkish exports by the second half of the 1980s. Öniş argues that creation of FTCs encouraged export-rent seeking.

CHAPTER III

TÜSİAD

This chapter will deal with the general characteristics and historical development of TÜSİAD. TÜSİAD has shifted its focus from the economic to the political realm and foreign policy problems. Indeed, in late 1990s and early 2000s, TÜSİAD has solely focused on political matters. The reason for TÜSİAD's insistence on the EU membership of Turkey is related to TÜSİAD's attempt to restructure the business-state relations and to reverse domination of state over the economic realm that led to three economic crises in 1990s. TÜSİAD takes EU as a permanent external anchor that can democratize the state structure in favor of business and can contribute to the strengthening of business's position in Turkey. Moreover EU membership is seen as the only way to stabilize the political and economic structure that had been characterized by crises in the 1990s and early 2001. In order to understand the interest of TÜSİAD in EU membership, we will deal with the TÜSİAD-state relations in which, business's position is unclear and dependent on the state.

3.1 General Characteristics

TÜSİAD is an associational interest group that was established on 2 August 1971 by the 14 largest Turkish industrialists who had close relations with national authorities¹⁵. Following the announcement of the establishment of the association in the newspapers in the same day, its membership increased to 106. By 2005, TÜSİAD had 545 members representing around 1300 companies (TÜSİAD 2005 Brochure: 12). Its activities include offering assistance in education, guiding and counseling enterprises, and efforts with direct policy implications, such as “activities to channel the investments to the priorities of public interest and to the productive areas that give impetus to exports and earn foreign exchange” (Weiker, 1980.: 96.). TÜSİAD is a private association with voluntary membership. Unlike TOBB, TÜSİAD is a non-hierarchical organization with non-compulsory membership. Consequently, the continuation of TÜSİAD depends on the donations of the members¹⁶.

An important factor that contributes to ease the individual conflicts between members is the homogenous structure of the organization. TÜSİAD is an elite organization whose members hold common sociopolitical approaches and university degrees, even graduate degrees. This elite structure is reinforced by the entry requirements. According to the article 5 of TÜSİAD’s by-law, any real person that accepts the purpose of TÜSİAD listed in the 2nd article can become a

¹⁵ Founders of TÜSİAD were Vehbi Koç of Koç Holding, 'Dr. Nejat Eczacıbaşı of Eczacıbaşı HC, Sakıp Sabancı of Hacı Ömer HC, Selçuk Yaşar of Yaşar HC, Raşit Özaruhan of Metaş of Joint Stock Company (JSC), Ahmet Sapmaz of Güney Industries JSC, Feyyaz Berker of Tekfen JSC, Melih Özkat of Automotive JSC, İbrahim Bodur of Çanakkale Ceramics, Hikmet Erenyol of Electro-Metallurgy JSC, Osman Boyner of Altınyıldız Textiles JSC, Muzaffer Gazioğlu of Cement Industries JSC. (Arat, 1991: 137)

¹⁶ Gülfidan (1993: 25) notes that Sabancı and Koç were each paying 60 million Turkish Liras in 1988 when the lowest membership fee was 4 million Turkish Liras.

member¹⁷. To be a candidate, one should be proposed by two members of TÜSİAD. Although being a Turkish citizen is a pre-condition for membership, non-Turks can be candidates with if they have residency and possess other qualifications required for Turkish citizens listed in the by-law. Additionally, members should comply with the “principles of business ethics” set out by the Boards of Directors. Candidates’ applications are examined by the majority of the Boards of Directors within 30 days. In this sense, compliance with the code of business ethics and approval of the general ideals of the Association are as important as economic considerations for TÜSİAD membership (Vorhoff, 2001: 318). Thus, as Haluk Nuray comments, this homogenous structure, enormous wealth and similar interests pursued by TÜSİAD’s members have had many advantages in the effective representation of the association (Cited by Karaca, 2005).

TÜSİAD is criticized for losing its elitist structure. Inan Kirac, an ex-member of TÜSİAD argues that TÜSİAD lost its function to take binding decisions since everyone was allowed to enter the Association in order to finance

¹⁷ 2nd article of the by-law is on purpose of TÜSİAD. The article is as follows: “Committed to the universal principles of democracy and human rights, together with the freedoms of enterprise, belief and opinion, TÜSİAD seeks to promote the development of a social structure which conforms to Atatürk's principles and reforms, and strives to fortify the concept of a democratic civil society and a secular state of law in Turkey; TÜSİAD believes that industrialists and business people perform a leading role in Turkish society and acts on this conviction; TÜSİAD aims to establish the legal and institutional framework of a market economy and ensures the application of internationally accepted business ethics; TÜSİAD believes in and works for the idea of integration within the inter- national economic system, by increasing the competitiveness of the Turkish industrial and services sectors, thereby assuring itself of a well defined and permanent place in the economic arena; TÜSİAD supports all policies aimed at the establishment of a liberal economic system which uses human and natural resources more efficiently by means of the latest technological innovations and which tries to create proper conditions for a permanent increase in productivity and quality, thus enhancing competitiveness; TÜSİAD, in accordance with its mission and in the context of its activities, initiates public debate by communicating its position supported by professional research directly to the parliament, the government, the media, international organizations and other states.

the Association (2005 Gündemi: 65). Moreover, as will be explained below, the legitimacy problem of the private sector and its dependence on the state for support has contributed to overwhelm internal conflicts and economic matters (Schneider, 2002: 82). Thus, as Gülfidan (1993) notes, continuation of the clientalistic relations with the national authorities challenges the power of TÜSİAD.

3.2 Economic Characteristics

TÜSİAD acts as the spokesman for the leading industrialists, holdings, banking community, insurance companies, construction sector and other services, based mainly in Istanbul, Ankara and Izmir (Gülfidan, 1993:25; Özbudun, 2000: 132). Thus, TÜSİAD members have a wide range of economic activities.

TÜSİAD is the association of the big business in Turkey. This is evident in the research conducted by the Istanbul Chamber of Industry in 1986. According to the research, TÜSİAD had 62 members among 100 largest private sector companies. The shares of these member companies in production sales, gross value added and profit for 1986 were 71.7, 69.9 and 72.5 (Gülfidan, 1993: 26).

Table 1: Total Production of TÜSİAD Member Companies in Billion Dollars¹⁸

BILLION\$	1997		1998		1999		2000	
	Sales revenue	Value added	Sales revenue	Value added	Sale revenue	Value added	Sales revenue	Value added
TÜSİAD	65.7	28.9	63.9	28.1	66.7	29.4	69.6	30.6
		69.4		70.7		63.6		65.0
		41.6		39.7		46.2		47.1

Source: TÜSİAD Brochure 2005

The companies represented by TÜSİAD occupy a dominant role in Turkish economy (Table 1). According to the TÜSİAD 2000 membership profile, the total sales volume of 227 firms was \$69, 6 billion which amounted to \$30, 6 billion value added. Thus 227 members of TÜSİAD produced 47% of Turkey's value added in the industry, construction and financial sectors. Moreover, these firms employed more than 414,000 people.

Table 2: Share of TÜSİAD Member Firms in Total Export

BILLION \$	1997	1998	1999	2000
TÜSİAD	9.2	11.8	12.5	13.1
TOTAL TURKISH EXPORT	26.2	27.0	26.6	27.8
SHARE OF TÜSİAD %	35.1	43.7	46.8	47

Source: TÜSİAD Brochure 2005

Table 3: Share of TÜSİAD Member Firms in Total Import

BILLION\$	1997	1998	1999	2000
TÜSİAD	10.1	7.9	8.9	9.9
TOTAL TURKISH IMPORT	48.6	45.9	40.7	54.5
SHARE OF TÜSİAD %	20.8	17.1	21.8	18.2

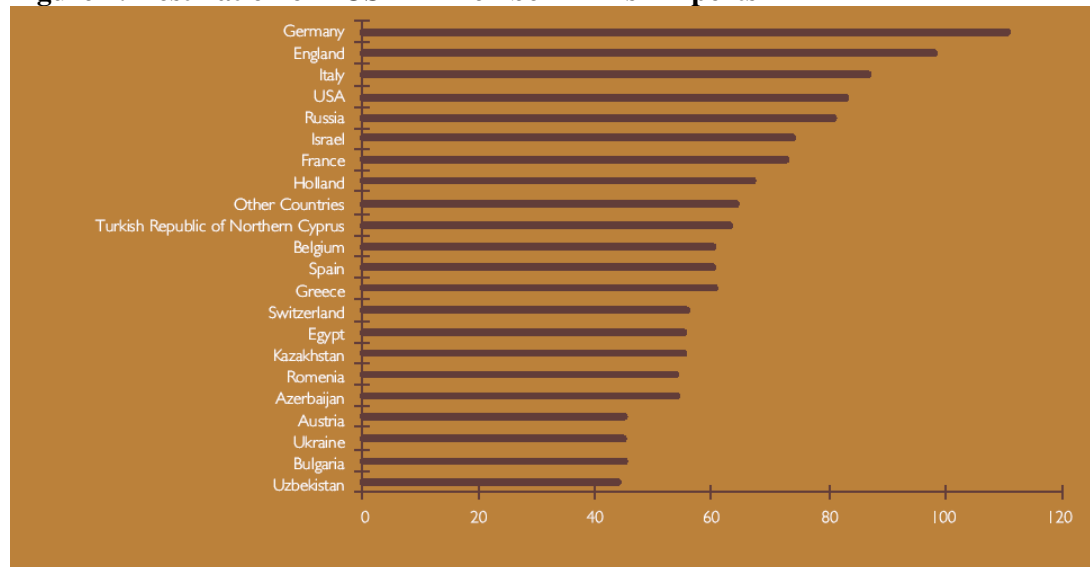
Source: TÜSİAD Brochure 2005

¹⁸ total value added of industry, construction and financial institutions

TÜSİAD has taken the leading role in Turkish foreign trade (Table2; Table 3). As of 2000, the volume of exports and imports generated by TÜSİAD members was \$13 billion and \$9 billion respectively. Thus, TÜSİAD members generate 47.2% of Turkish exports and 18.2% of Turkish imports.

The huge value of TÜSİAD firms' trade activities is related to the export-oriented growth policy of the 1980s. With the 24 January 1980 decisions, the Özal's regime started to promote the growth of exports as a source of foreign exchange in two ways: firstly, the domestic demand was cut by use of various policies such as devaluation of the Turkish lira and wage cuts. These policies were reinforced by strict control over trade union activities and the prohibition of strikes after the 1980 intervention. Secondly, Özal government directly subsidized export-oriented firms. Although export substitution was abolished in 1988, it had provided great incentive for firms to produce for the international market.

Figure 1: Destination of TÜSİAD Member Firms' Exports



(Source: TÜSİAD brochure 2005)

Like that of Turkey, major countries to which TÜSİAD members export are the EU countries (Figure 1). They are either direct exporters or partners with EU firms for industrial and contracting projects in the third countries (Turkey: A New Corporate World for Europe, 2004: 24)

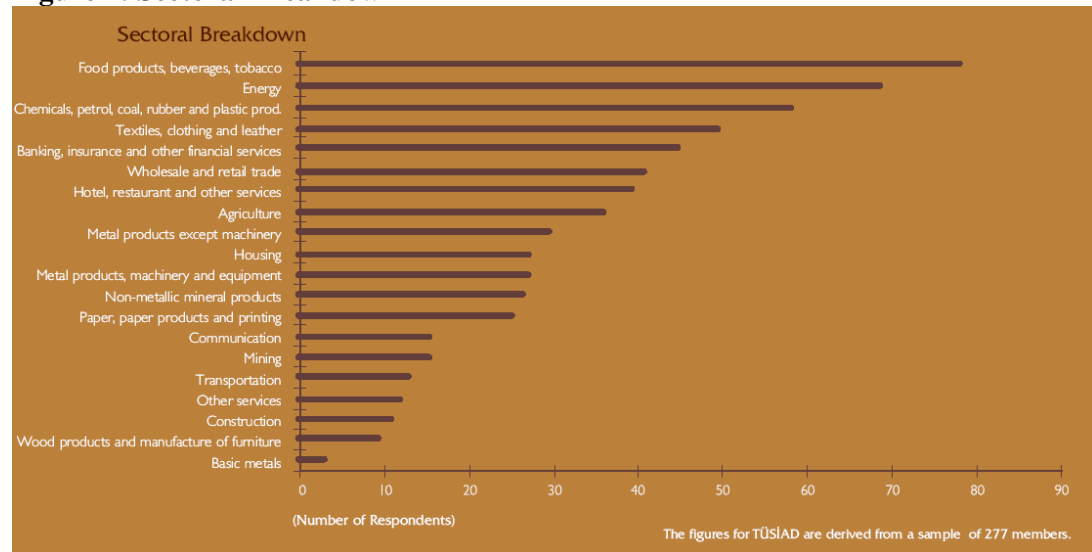
Besides being exporters, TÜSİAD member firms have become direct investors in European markets. They have seized opportunities created by Romania's and Bulgaria's accession not yet to EU and they have shifted their investments in these countries (Turkey: A New Corporate World for Europe, 2004: 23). They have also been busy creating a common pattern of consumption in the Eastern Europe (Turkey: A New Corporate World for Europe, 2004: 20). TÜSİAD believes that Turkish private sector is more competitive than that of the ex-communist countries due to the import-substitution industry model. Accordingly, import substitution that aimed to nurture the young industry contributed to Turkey in developing an industrial base and an effective transport and energy infrastructure. Moreover, Turkish entrepreneurs had developed market rationality since the prices were determined by the markets. Thus import substitution contributed to the managerial, labor and marketing skills of Turkish industry (Turkey: A New Corporate World for Europe, 2004: 30).

Although TÜSİAD is disturbed by the economic instability, it believes that unstable economy taught important lessons for Turkish firms. In the brochure "Turkey: A New Corporate World for Europe", the success of Turkish business in the foreign markets is explained with these words (2004: 21):

If Turkish businessmen have a skill in developing new and challenging markets, it is one developed from mastering their own domestic market. Turkish managers, used to coping with chronic inflation, stop-start growth, devaluation and interest rate crises, see themselves as a case-hardened breed.

TÜSİAD's membership is composed of both the owners of the firms and the professional managers. Although TÜSİAD's founders were all owners of groups, the number of professional managers in TÜSİAD has increased in recent years (Koyuncu, 2003). Kurtuluş (1987) explains this tendency with reference to the economic difficulties that TÜSİAD member companies faced in the post-liberalization period. According to Kurtuluş, high inflation rate and high interest rates that made the cost of borrowing prohibitive forced large firms to use professional managers.

Figure 2: Sectoral Breakdown



Source: TÜSİAD Brochure 2005

TÜSİAD members represent almost all major sector of Turkish economy (Figure 2). However, the dominant sectors that accommodate the highest number of TÜSİAD members are the food, beverages and tobacco sectors. This sector is followed by the energy sector and later by the chemicals, petrol, coal, rubber and plastic sectors.

TÜSİAD's power over the governments comes from the economic power of TÜSİAD members. Henry Barkey (cited by Shambayati, 1994: 315) notes that "since it is composed of the richest business enterprises, no government could ignore it (TÜSİAD)". By comparing Turkey and Iran, Shambayati uses the term to explain the power of TÜSİAD in Turkey with reference to the concept of 'rentier state' (Shambayati, 1994). According to Shambayati (1994: 308), rentier state is a state "that receives a substantial portion of its income in the form of external rents". This leads to the financial independence of the government from the domestic productive sectors. For Shambayati (1994: 317), Turkey, which lacks external rents and stable sources of external capital, such as oil revenues as in the case of Iran, is dependent on the domestic sources of capital. Shambayati's argument is more valid in the post-liberalization period in which TÜSİAD member companies have lend foreign exchanges gained from the exports to the governments. This leads to the increasing importance of Turkish conglomerates in the eyes of the government.

TÜSİAD member firms also have significance in the media sector. After the eradication of the monopoly of TRT, the state's monopoly over mass communication, Turkey experienced the concentration of media assets in the hands of a few holdings¹⁹. Kongar notes that these holdings have become important actors in shaping public opinion in Turkey (Kongar, 2002). Thus media ownership of TÜSİAD firms has contributed to the political power of the association in shaping foreign policy.

¹⁹ Dogan Holding, which is a member of TÜSİAD currently, dominates the Turkish media ownership and is considered as "Turkish Berlusconi". (Larrabee&Lesser, 2003: 33)

Table 4: Distribution of members according to dates of incorporation of member companies of TÜSİAD in 1991

Date of incorporation	Number of firms	Percentage
Before 1950	15	5
1950-59	32	11
1960-69	56	19
1970-79	107	36
1980-89	85	28
After 1990	6	2
Total	301	101

Source: Çokgezen, 2000

Most of the TÜSİAD members have benefited from the import substitution industry model (Table 4). When we examine the date of incorporation of TÜSİAD member firms, we witness that majority of member firms of TÜSİAD has been established in the period between 1970 and 1979 a period that has been characterized by high tariff walls, cheap foreign exchange and negative interest rates. Thus, the date of corporation of TÜSİAD member firms confirms the fact that state has aimed to develop national private industry. However the relation between the state and big business was a problematic one. Indeed the governments supported the private sector when it supported the government but could challenge when the relation was problematic.

After the liberalization of Turkish economy, we witness the shift of big business' economic activities from industry to finance sector. As Öniş (2004: 23) notes, TÜSİAD member companies did not face difficulties obtaining to credits since they already had their own banks or the reputation for borrowing credits from external and domestic resources in the post-liberalization period. Moreover, they had superior access to state resources.

Despite this privileged financial position, the shift from industry to finance sector can be understood with reference to the rent-seeking behavior. According

to Öniş and Bakır (2005), Turkish economic growth in 1990s that was heavily dependent on the accumulation of domestic and external debt and inflows of short-term speculative capital contributed to generation of a rentier class that favored lending to the government at high rates of interests. As a consequence, profitability of big business became dependent on their financial rather than manufacturing activities. This rent-seeking behavior of TÜSİAD members has contributed to the power of peak business on the government since they are lender to the government.

3.3 TUSIAD on Government

As Buğra (2005:17) asserts, Turkish entrepreneurs have a love-hate relation with the state. Accordingly, business has considered the state to be important in protecting their societal position and wealth. But they also think of the state as the fundamental reason for the difficulties they face. Thus, they do not necessarily favor decrease of state intervention in the economy, but favor closer relations with the state on policy making. They have not drawn a clear separation between the economy and the politics, and have remaining qualms about letting the economy operate according to the rules of free market.

TÜSİAD believes that the economy is strongly related to the political system. For TÜSİAD, economic issues should not be dealt with independent of political and social issues (Görüş August 2001: 6). Thus TÜSİAD argues in favor of political reforms in line with the political criteria of the EU for a stable economy.

TÜSİAD believes that the economic crisis is a consequence of an inefficient, extremely centralized, clumsy and out-moded government mechanism that cannot respond to the demands of the public (Görüş, November 2001: 6). The main responsibility for the economic problems belongs to the government's reluctant attitude towards the reform of the economic and political system in line with the structural adjustment program of the IMF. TÜSİAD ex-chairman Tuncay Özilhan argues that the government's lack of intention to apply the adjustment programs led to the 2001 economic crisis (Görüş, May 2001: 6). To avoid crisis, Özilhan argues that the economy should work based on the market rules rather than the political interests (Görüş, November 2001: 6). Thus the state should not intervene in productive sectors; it should be limited to a regulatory role in the global era (Görüş, December 2003: 6). He proposes reform of the public administration, by which the government should do the followings: allow effective participation of the civil society in the decision-taking mechanisms of the reform process; establish legal and administrative infrastructure for civil society's participation; ensure transparent and accountable reform; empower local authorities; reorganize the public administration according to economic rationality; and avoid malpractice (Görüş, December 2003: 6-7).

TÜSİAD understands crises as opportunities to force the government to accept structural adjustment. Özilhan points to the positive effects of the economic crisis on the political structure. He says that the crisis proved the need for effective and efficient governance based on the necessities of the period (Görüş, May 2001: 6).

TÜSİAD perceives Turkey as a member of European civilization. According to Bahadır Kaleağası, head of Brussels Representation of TÜSİAD,

using the term ‘meeting of the civilizations’ to explain Turkey’s position in the Europe is misleading since using this term means to exclude Turkey from the European civilization and to accept the validity of the Huntington’s thesis of clash of civilizations. Rather, he proposes to refer to the universality of the European civilization of which Islam is a part (Zaman, January 2006). TÜSİAD also wants government to be the bearer of European values in its policies towards Asia and the Middle East (TÜSİAD press release, 2005).

TÜSİAD demands more roles in foreign policy making from the Turkish authorities. Vice President of the High Advisory Council of TÜSİAD Aldo Kaslowski, draws attention to the importance of lobbying activities of the civil society for the homeland and states that the strength of the lobbying activities of civil society depends on the role of civil society in shaping foreign policy making (Bülten, April-June 2003: 8). With the aim of contributing to Turkey’s medium and long-term foreign policy, TÜSİAD established the Foreign Policy Forum in 25 September 2002 with the partnership of Bogaziçi University (TÜSİAD 2003 Çalışmaları: 62). TÜSİAD also organized Bosphorus Prize for European Understanding in order to reward the people that have contributed to Turkey-EU relations (TÜSİAD 2003 Çalışmaları: 77).

TÜSİAD claims to represent the broad and long-term interests of Turkey that the governments could not take into account due to their populist stances. According to ex-chairman of TÜSİAD Muharrem Kayhan, TÜSİAD kept its focus on the country’s long-term objectives in times of political and economic fluctuations and acted as a light house helping Turkey to find its way during stormy times (Newsletter, January-June 2004: 1).

TÜSİAD members associate their interests with the long-term interests of Turkey. According to Vehbi Koç businessmen should be loyal to Turkey and say that “my existence depends on the existence of this country” (Görüş Almanak, 2002: 9). In a similar vein, Bülent Eczacıbaşı says that the success of the democratic pressure groups depends on their tendency to unite their interests with those of the country (Görüş Almanak, 2002: 2). He demands TÜSİAD to decide on the interests of Turkey and to direct the targets and strategies of the private sector to the interests of the society. He argues that the success of Turkish firms in the global economy characterized by competition and export-orientation will contribute to the socio-economic development of the Turkish society. Thus TÜSİAD should assist the politicians to overcome the obstacles for Turkish firms’ success. Beside the dialogue with the politicians, Eczacıbaşı argues that TÜSİAD should also develop a public opinion in line with the arguments of TÜSİAD since groups that create policy behind the closed doors and that lack the public support cannot be successful.

3.4 Historical Development of TUSIAD

This part will deal with the historical development of TUSIAD as well as the changing attitude of TUSIAD towards the governments.

3.4.1 1970-1980

In the 1970s, TÜSİAD aimed to increase the legitimacy of the Turkish private sector in order to counter the rising left. The rise of the left is important as

a challenge to the private sector. As we have seen, the private sector has lacked a legitimate tradition in Turkish political culture. Moreover, with the rise of the left, the private sector, especially those that had contacts with foreign firms, were labeled “comprador” and as an obstacle to the development of Turkey. Under these conditions, Turkish conglomerates felt themselves necessary to modify this image and to increase the legitimacy of private entrepreneurship that Turkey lacked (Gülfidan, 1993; Öncü, 1980).

Another reason for the formation of TÜSIAD was the problem of under representation in the legal bodies of interest representation. As described above, interest representation in Turkey was provided by the chambers. Chambers act as semi-official representatives of private interests that consult the state in economic matters. However chambers could not function as efficient mechanisms of business representations for two reasons: the organizational structure of the chambers and the close contacts with the governing parties. According to the first explanation, chambers in Turkey represent industrial and commercial interests but neglects prominent sectoral divisions within industry and commerce. That is industrialists were in favor of protectionist measures whereas commercial sector supported the removal of them (Shambayati, 1994: 315). Shambayati (1994: 315) notes that TOBB that was responsible of allocating import quotas used this authority in favor of commercial interests that were dominant in TOBB. In a similar vein, Öncü (1980: 459) states that, as a result of the weighted representation, commercial interests dominate the assembly²⁰. Thus, while distributing quotas and licenses, TOBB officials gave priority to commercial

²⁰ In 1973, chambers of industry had 6 percent of the votes whereas chambers of commerce had 64 percent which proves the dominance of commercial interests over the industrial ones (Öncü, 1980: 459)

firms, which limited the ability of industrialists to purchase their requirements of imported raw materials (Bianchi, 1984: 253). This led to the under representation of industrial interests which resulted with the formation of TÜSİAD in 1971. Indeed industrialists were satisfied with the government's decision to transfer import allocations to the ministry of finance (Shambayati, 1994: 315)²¹.

One of the leading Istanbul industrialists points to the inefficiency of the chambers originating in the heterogeneous structure of the private sector (Quoted by Weiker, 1981: 92.):

Everybody should know that private sector in Turkey is not as influential and effective pressure group as it is often thought. It is heterogeneous and intra-sector jealousies are all-pervasive. It is not well organized. Istanbul versus Anatolia competition persists. Large industry is always in conflict with small industry. Some of the chambers of industry do not view favorably the TÜSİAD, which they think is an exclusive club of big industrialists. There are no close ties between the chambers of commerce and industry. Only one third of the employers have been organized within the (Turkish) confederation (of Employers' Associations)

Second problem related to TOBB was the organization of the chambers on regional basis, which ended with under representation of the economically powerful groups when compared to the powerless ones. Industrial and commercial activities in Turkey are located in three major cities: Istanbul, Ankara and Izmir. However the chambers of these cities that are economically powerful cannot dominate the general assembly of TOBB. Öncü (1980: 461) states that delegates from these three cities constitute only 17% of votes in the general assembly whereas these provinces account for the 90% of economic activity. This results with the domination of commercial interests of small 'Anatolian' chambers.

²¹ Although TÜSİAD members diverted their economic activities and had both commercial and industrial interests, the prevailing one was the industrial sector. Indeed TÜSİAD was founded by 20 holding companies and 65 industrial companies (Weiker, 1981: 97), Moreover the founders of TÜSİAD, Koç, Sabancı and Eczacıbaşı Holdings, during 1970s had invested in industry. Thus TÜSİAD during 1970s represented the industrial interests.

Öncü (1980: 461) states that direct access to ministers, bureaucrats and even prime minister have been used by the chambers of these three provinces in order to cope with the inefficiency of TOBB in representing powerful chambers. This is a typical situation in Turkish politics: when the legal ways are not enough for interest representation, Turkish businessmen prefer to develop direct contacts with the influential figures in policy making. However when the direct contacts, which can be considered as the patronage relation, do not satisfy the demands of Turkish business, they may prefer voluntary associations as a way to influence policy making. Bianchi (1984: 132) states that:

There continues to be considerable room to maneuver groups that become dissatisfied with the kinds of clientalistic relationships established between the government and the leaders of public associations. If those relations are perceived as yielding insufficient benefits for the association membership or as exclusively serving the interests of a favored, dominant faction, disgruntled leaders can resort to the alternative channel of voluntary associations to promote their specific interests in a more independent manner. In such cases private associations can be transformed from weak and insignificant extensions of their more privileged and influential corporatist counterparts into more specialized, competing channels of representation that may form political alliances with opposition partners. Private groups that succeed in establishing such alliances cannot, of course, compensate for the absence of official privilege and may, in fact, front a hostile response from the government. But even in such attempts prove self-defeating in the short, they can have the effect of the seriously undermining the representational monopolies of dominant, public associations and jeopardizing their position as the most authoritative spokesmen for an entire occupational or economic sector.

TÜSİAD had not been an effective organization until the late 1970s, when Turkish economy faced a balance-of-payments crisis. ISI model has been successful in sustaining industrialization (Koyuncu, 2003: 133). ISI model came into crisis in 1977 due to “negative trade balance and foreign exchange crisis by increasing imports of capital and intermediate goods” (Shambayati, 1994: 312). Moreover the increase in the costs of energy and other imported materials contributed to the crisis (Öniş, 1992: 8). Turkish government chose to solve the problem of foreign exchange deficit through external borrowing. This led to the

increase of external debt²². In addition to these, the remittances of Turkish workers overseas could be used to solve the problem of foreign exchange deficit only in the short term (Shambayati, 1994: 313).

During the crisis, Ecevit government tried to restore economic stability through “adjustment of exchange rates, elimination of subsidies to bring domestic prices inline with world prices and reductions in the government deficit” (Gülfidan, 1993: 88). However these measures did not contribute to the increase in export. On the other hand, the relations with the IMF broke down (Hale, 1981: 243). These developments ended with foreign exchange shortage, which Turkish business heavily needed.

In response to these developments, TÜSİAD prepared a report (Gülfidan, 1993: 87-88). According to the report, Turkey had lost its credibility in the West. TÜSİAD also accused the government for failing IMF to take into consideration. However TÜSİAD report was not welcomed by the Ecevit government. Thus, TÜSİAD, which failed to directly affect the government, used the mass media in order to obtain public support. TÜSİAD started an advertisement campaign against the Ecevit government (Özel, 2003). According to the advertisement, the reason behind the crisis was “the extreme interventionist and confidence shaking mentality which strangles our (Turkish) economy by a prohibitive net of procedures, discouraging private initiative” (Gülfidan, 1993: 91). According to TÜSİAD, the problem was not with the economic policy of Ecevit but was about the implementation of the policy. This tendency to take governments’ lack of will in implementation of the neo-liberal economic policies as the main reason of economic crisis in 1990s was a general characteristic of TÜSİAD.

²² Shambayati (1994: 313) notes that Turkish external debt rose from 1.854 million \$ in 1970 to 4323 millions \$ in 1977.

TÜSİAD's public campaign ended with the resignation of Ecevit government and formation of the Justice Party government under the leadership Süleyman Demirel. During the JP rule, the government announced the 24 January 1980 measures that embodied the following objectives (Öniş, 1991: 27): making prices flexible; removing controls not only on prices but also on quantities; reducing direct government participation in the economy; and avoiding the de-stabilization of the economy through fiscal deficits, inflation and external debt accumulation.

TÜSİAD welcomed the 24 January measures. However the JP government could not find the chance to implement the measures due to the 12 September 1980 military intervention by which all political and associational activities, including those of TÜSİAD, were suspended.

3.4.2 1980-1990

In the 1980s, the division between the TÜSİAD members widened has risen. As a consequence of its internal divisions, TÜSİAD could not act as a powerful pressure group until the end of 1980s, when the macroeconomic stability had been disturbed due to the populist policies of the MP government. Additionally Turkey's application to EU had been helped TÜSİAD to overcome its internal divisions. However TÜSİAD's main emphasis had been on the economic issues (Öniş, 2001: 13).

TÜSİAD's activities after the intervention were suspended for nine days. However the temporary government under the prime ministry of Bülent Ulusu did not oppose TÜSİAD. Indeed some TÜSİAD members were appointed to key

ministries on economy during the Ulusu government (Dodd, 1992: 27)²³. Thus TÜSİAD opted for stability at the expense of democracy (Öniş, 2001: 12-13). However this does not mean that TÜSİAD was allowed to participate in economic policy-making in an institutionalized fashion (Öniş, 1992: 17).

Despite its support for the military intervention, TÜSİAD did not want the military to stay for a long time. One of the founders of TÜSİAD, Vehbi Koç wanted transition to democracy after the legislative reforms. He noted that “the Western countries would not be inclined to keep their promises if the military did not allow retransition to democracy, as they had done after the previous military interventions” (Cited by Gülfidan, 1993: 93). Thus TÜSİAD gave support for the military regime with the condition of transition to democracy, which they thought would restore the relations with the Western countries, especially, the EC.

TÜSİAD supported the anti-democratic laws and the constitution drafted after the 1980 intervention. TÜSİAD’s support for the 1980 intervention can be explained with reference to three factors: firstly, the military had the sole political power to save and restructure the status quo (Cizre, 1997:157). The military demanded a parliament with two parties representing the center left and right. This was in parallel to TÜSİAD’s demand for a stable political order (Öniş&Türem, 2002: 443). Secondly the military continued the policies of economic liberalization supported by TÜSİAD. Thirdly, TÜSİAD was conscious of the fact that its survival depended on maintaining good relations with the military regime, which was an extension of the state-business relations in Turkey. It is important to note that TÜSİAD never supported an undemocratic order per

²³ These ministers who were TÜSİAD members were the followings: Şahap Kocatopcu (Minister of Industry), Fahir İlkel (minister for power and natural resources), Turgut Özal (Deputy minister for economic affairs), (Gülfidan, 1993: 94)

se, but saw the military regime between 1980 and 1983 as a way of regaining the political stability that had disappeared after 1977.

Following the elections of 1983, the Motherland Party under the leadership of Turgut Özal, an ex-member of TÜSİAD and the architect of 24 January decisions, came into power. TÜSİAD welcomed the election of MP in 1983 and a return to the multiparty regime. Until 1989, TÜSİAD had good relations with the MP government. This can be explained by four factors. Firstly, the leader of MP, Turgut Özal, was a strong supporter of the dominance of the private sector in economy and the liberalization of economy. Indeed, he supported the private sector's orientation towards exports by means of incentives provided by government and by the removal of restrictions on currency exchanges so that private sector could import without the control of state. Secondly, TÜSİAD had a place of its own in the Özal government since Özal was an ex-member of TÜSİAD. Thirdly, MP provided the political and economic stability that TÜSİAD demanded. Finally, Özal was a Western-oriented politician that had developed good relations with the IMF and had applied for full membership in 1987.

As Gülfidan (1993: 98) notes that the absence of a common enemy that threatens the private sector during the Özal era led to the divisions within TÜSİAD. Moreover, distribution of 'rents' based on personalized criteria challenged the power of TÜSİAD (Gulalp, 2001: 438). Thus, during the period between 1983 and 1989, groups within TÜSİAD such as exporters, industrialists and importers sought for their interests, which challenged the power of the Association against the government (Öniş, 1992; Gülfidan, 1993).

TÜSİAD's relations with the MP government deteriorated in late 1980s. In 1987, the ban on politicians such as Süleyman Demirel and Bülent Ecevit was

lifted by the referendum. Moreover, the votes of MP decreased. MP responded by completely liberalizing of economy on the one hand and introducing the populist policies on the other hand. Thus, the political parties' tendency to apply populist policies in order to stay in government re-emerged. This contributed to the macroeconomic imbalances, caused by government's inflationary policies implemented in order to sustain rapid economic development so that ruling parties could stay in power. Like the DP government, MP attempted to sustain rapid economic development by populist policies that increased public sector debt and exacerbated the macroeconomic imbalances. It could not resist the distributional pressures and turned to populism (Atan, 2004: 106). This led to dissatisfaction of the big business (Öniş, 1991: 36)²⁴. Moreover, as the support for MP wined as a result of worsening economic conditions, MP's attitude towards its critics has sharpened. Indeed MP, like the DP, supported those who were 'one of us' but repressed the opposition. This was the case for TÜSİAD.

Second factor that contributed to the deterioration of MP-TÜSİAD relations was the rise of new college-educated young businessmen. Atan notes that the domination of the younger generation coupled with the Europeanization of TÜSİAD by being member of the European business platforms has changed TÜSİAD's stance in favor of the young generation leaders and led TÜSİAD to be more active on the political reform process (Atan, 2004: 110). Moreover the number of people, educated in business sciences contributed to the expansion of large-scale firms (İlkin, 1993: 194).

²⁴ According to Öniş(1991: 36), high inflation, which required frequent changes in nominal values of exchange rate and interest rates created uncertainties on the part of private sector and led to considerable alienation on the part of some private sector groups from the government's economic programme during the Özal era.

This younger generation came into power by the election of Ömer Dinçkok as TÜSİAD chairman. During the presidency of Dinçkok, younger generation put more emphasis on politics. Second-generation TÜSİAD members did not feel the necessity to develop good relations with the national authorities as the first-generation TÜSİAD members who had got rich under the wings of the state feel. Moreover second-generation TÜSİAD members have been influenced by the western ideals such as the rule of market economy and more involvement of private sector in economic policy making. Thus, the criticisms of TÜSİAD against the government have been sharpened.

Third factor is the rise of a new technocrat bureaucracy that was “imported from abroad” and “accountable directly to the Ministers or the Prime Minister” (Boratav et al, 1994: 65). The rise of such a bureaucracy, which contributed to the enforcement of the executive and its ability to act arbitrarily, resulted with exclusion of Turkish peak business from policy-making. Özal government, in its late years, did not pay attention to TÜSİAD’s demand for the formation of the Economic and Social Council. Indeed, Özal told TÜSİAD members “to mind their business”, “to sell their villas” or “to reduce the capacity of their companies” (Gülfidan, 1993: 102).

3.4.3 1990 to Present

In the 1990s, democratization and Turkey’s EU membership became the focal points of TÜSİAD (Öniş&Türem, 2002: 444; Öniş, 2001: 14). TÜSİAD has recognized that “the settlement of a market economy is not possible without a consolidated liberal democracy and a legal infrastructure accompanying it”

(Koyuncu, 2003: 165). Thus TÜSİAD realized the importance of politics to overcome the economic crisis and the capacity of the EU to force Turkey to accept accountable and transparent policy making. In line with this, TÜSİAD acted as a civil society organization that strove to promote the national interests of the country and argued for a liberal and democratic Turkey, which TÜSİAD assumed was a precondition for Turkey's elevation to first rank in world affairs (Özbudun&Keyman, 2003: 306).

The 1990s was characterized by coalition governments that continued to apply populist policies, which led to crises. Although coalition governments accepted the IMF packages on structural adjustment and the primacy of market economy in principle, they were not successful in implementation. There was a lack of political will to apply the IMF programs due to the governments' populist tendencies. TÜSİAD was disturbed by macroeconomic imbalances that triggered three crises, in 1994, 1999 and 2001. TÜSİAD saw the lack of political will for the application of the IMF program as the main reason of the economic crisis (Konjonktur, April 2001: 1). It strongly favored the IMF recipes for restructuring Turkish economy and forced the government to apply these. However TÜSİAD realized two facts: that the IMF could act as a temporary anchor for restructuring Turkish economy, and that the political stability was precondition for economic crisis. Moreover, the economic crisis reinforced the political instability and contributed to the success of anti-European groups that led to deviations from the market economy and other Western values. TÜSİAD believed that democratization of state-society relations and active participation of the big business community could challenge these developments. Thus, TÜSİAD began to argue for the reforms that EU demanded from Turkey for full membership.

Serap Atan (2004) deals with the affects of social learning on the Europeanization of the peak business organizations in Turkey. She derives two hypotheses from the institutionalist approach: ‘actors are more open to learning and persuasion’; ‘radical and rapid transformations are likely... under special conditions characterized by crisis and external pressure’ (Atan, 2004: 109). Thus she argues that the business organizations that have been socialized by the European norms can appear as significant actors to challenge the governments’ policy agenda in 1990s that has been characterized by political and economic instabilities (Atan, 2004: 109).

Atan’s argument on the role of socialization in times of crisis fits the situation of Turkish business organizations. After the formal application of Turkey for the EU membership, both TOBB and TÜSİAD have become members of the Union of Industrial and Employers’ Confederation of Europe (UNICE) (Atan, 2004: 104). Following UNICE membership, TÜSİAD adapted its internal structure to UNICE’s organizational scheme (Atan, 2004: 105). Atan (2004: 108) notes that through joint action with the Joint Consultative Committee (JCC), Turkish business organizations became familiar with the ways in which European public and private actors interact at both the EU and the member state level. The socialization of the Turkish business organizations on interest representation in the EU was accelerated after the creation of the Economic and Social Council (ESC) (Atan, 2004: 108). ESCs, which were considered by the European Commission as the important institutional structures that can act as ‘crucial step in the integration of basic values and features of the European social model’ have attracted the attention of TÜSİAD (Atan, 2004: 113). Social Affairs Committee of TÜSİAD prepared a report on TÜSİAD’s position on the ESC and defended its

right to participate in the national ESC on the ground that TÜSİAD is a member of UNICE (Atan, 2004: 114). Despite the formation of ESC in 2001, the government holds the dominant position in the organization, which is a sign of traditional domination of the state over business organizations (Atan, 2004: 109). Moreover, TÜSİAD is still not a member of ESC, but is expected to be a member (2005 Gündemi: 97).

As Atan (2004: 109) says, the refusal of Turkey's application for the EU membership due to the political questions such as democratization and human rights has attracted TÜSİAD's interests to the political matters. Thus, TÜSİAD started to criticize the government for failing to grasp the close link between the liberal economy and the liberal regime. In this sense, the EU's political demands from Turkey have led both the Turkish governments and TÜSİAD to shift their attentions from economic realm to the political realm

1990s also witnessed the rise of political Islam and the Kurdish problem. TÜSİAD reacted strongly against the Islamic parties and organized demonstrations against the Islamic Welfare party. TÜSİAD also supported the 28 February 1997 memorandum that ended in the resignation of the leader of Welfare Party Necmettin Erbakan. TÜSİAD's participation in the anti-WP protests and its support for the 28 February 1997 toppling of Erbakan from power seems to contradict its willingness to democratize the system and decrease the role of military. However TÜSİAD's contradictory stance in favor of the military should be examined with reference to the role of the military in Turkey. As Cizre-Sakallioğlu underlines, the military in Turkey is committed to the Kemalist project of building a modern Turkish nation-state on secular and Western rather than Islamic principles; it acts as the 'guardian of the flame of Kemalist regime'

(Cizre. 1997: 154-155). Welfare Party followed an anti-Western policy, which was unacceptable for TÜSİAD. Thus TÜSİAD supported the undemocratic but exceptional counter pressure measure of military despite its general commitment to democratization.

In this chapter we attempted to explain state-TÜSİAD relations, which is necessary in order to explain the origin of TÜSİAD's pro-European attitude. We mainly showed that TÜSİAD was disturbed of by political instability and the undemocratic nature of state-society relations, which effectively excluded TÜSİAD from policy making and indirectly lead to economic crisis. The next chapter looks at TÜSİAD's contribution to Turkish foreign policy towards EU.

CHAPTER V

TÜSİAD ON EU

In this chapter we will deal with the TÜSİAD's attitude towards the EU. We will argue that TÜSİAD supports the EU for two reasons: firstly EU acts as an external anchor that can transform state-business relations in favor of the business; secondly EU membership can provide economic stability, which is hard to sustain in an age of globalization. Thus, TÜSİAD has supported full EU membership, even after the complete integration of the Turkish economy with the European market by means of the Customs Union. TÜSİAD's pro-European activities accelerated after the Helsinki Council, which provided incentives for the formation of a pro-European coalition in Turkey and opened Turkey's EU membership for debate by societal actors. Here, it should be mentioned that although the state elite in Turkey is committed to West, Europeanization of the Turkish political structure is not automatic, but contested by various actors. The evolutions of Turkey-EU relations and the signals that came from the EU have definitely shaped the direction of the debate. TÜSİAD has benefited from the positive signals provided by the EU in order ensure public support for the EU membership. TÜSİAD has countered both the nationalist rhetoric used by the

Eurosceptics and the arguments against Turkey's membership in European circles. The existence of circles that are against Turkey's membership to the EU and TÜSİAD's contributions to counter their arguments makes TÜSİAD an important subject to be investigated.

This chapter will deal with TÜSİAD's perception of globalization, the EU and the ways used by TÜSİAD in order to achieve full membership for Turkey. Next, TÜSİAD's contributions to Turkey's relations with the EU will be dealt in a historical manner. Finally, the problems that weaken TÜSİAD's contributions will be dealt.

4.1. TUSIAD on Globalization

Globalization is an important development that has increased the importance of Turkey's EU membership for TÜSİAD. TÜSİAD perceives globalization as an irreversible and irresistible social fact that brings new set of relations such as emergence of new trade relations that compress geographical distances, the increasing importance of supranational relations that create new regulations beyond the nation-state and the fragmentation of domestic markets (Özbudun&Keyman, 2003: 304). According to TÜSİAD member Can Paker, globalization is a worldwide trend to which no power can reverse (Turkish Daily News, 11.29.2000). Paker argues for a new economic order wrought by the age of communication and globalization, in which there is a high level of competition among countries. Moreover, Paker points out the collapse of the Soviet Union, which challenged strategic importance of Turkey and which, consequently, led to increasing importance of democracy and reduction of foreign assistance to

Turkey. Thus, he argues, Turkey has to interact and cooperate with other countries and must take rational economic steps.

TÜSİAD believes that the globalization process led to two interrelated facts at the social level: cultural identity that takes the forms of Islam and Kurdish problem and the need to protect civil rights (Özbudun&Keyman, 2003: 304-306). To solve these problems, TÜSİAD argues for the democratic organization of state-society relations. For this, TÜSİAD asks the national authorities to solve the problems stemming from lack of democratization and political liberalism. In this sense, TÜSİAD perceives democratization of Turkey as the pre-condition for realization of economic interests brought by globalization. Paker says that Turkish authorities have to recognize the political values brought by globalization and the importance of individual vis a vis the state; otherwise, it cannot escape from marginalization (Turkish Daily News, 11.29.2000).

4.2. TUSIAD on EU

TÜSİAD's perception of the EU is shaped by four factors: EU's capacity to stabilize economic system in the age of globalization; EU's capacity to guarantee a well-functioning economy and a liberal political system; material gains, such as FDI, brought by the EU membership; and the lessons derived from the economic crisis.

Firstly, TÜSİAD perceives EU integration as increasing Turkey's exposure to the globalizing world, which will determine the future of Turkey by advancing the level of both political modernization and economic development (Özbudun&Keyman, 2003: 305; Koyuncu&Keyman, 2005: 113-116). As Öniş

(2004) notes, “EU membership acts as the long-term anchor needed for the stable development of Turkish economy, given that the IMF was a temporary one” (Öniş, 2004: 17). Realizing the importance of the EU membership, President of the High Advisory Council Mustafa Koç argues that EU is Turkey’s most important peg for economic growth, prosperity and full integration with world markets (Cited by Karaca, 2004). Thus, future success of Turkish economy in the global world is tied to EU membership (Koyuncu, 2003: 173).

According to Karaca, EU accession for business is the means of having access to European markets and creating more wealth and prosperity (Karaca, 2004). It is a fact that the EU market presents enormous opportunities for Turkish firms; however this argument fails to consider the fact that Turkish market has been integrated to the European markets with the Customs Union. As Mustafa Koç states, Turkish economy is already integrated with the EU economy with 3 million workers employed in the EU and 60 percent of exports to the EU (Cited by Karaca, 2004). Koç mentions the stability that will be brought by the EU membership is the reason for TÜSİAD’s pro-European stance. By using the term stability, TÜSİAD refers to the absence of political crises that lead to economic crises (TÜSİAD 2001 Çalışmaları: 56). For stability TÜSİAD proposes two things: reform of the state structure and public participation.

Secondly, TÜSİAD believes that EU membership can act as an anchor to reform the state structure (TÜSİAD 2000 Çalışmaları: 7). According to Özilhan, EU is the opportunity to reform the clumsy and inefficient public order in which political institutions dominate the economic system and reduce market rationality (Görüş, November 2001: 6). For Özilhan, the reforms that Turkey should enact for EU membership intersect with the reforms that Turkey should adopt in order

to sustain a political and economic system that is less vulnerable to crises (TÜSİAD 2001 Çalışmaları: 56). In a similar vein, Kayhan explains EU's transformative role with these words (Bülten, January-June 2002: 3):

For us, working for European Union (membership) is to adopt the universal values accepted by EU, to sustain and work for primacy of law, freedom of expression, togetherness of different lives and opinions, transparent state to which public participation is guaranteed, efficient public order, decrease of regional differences and competitive market economy

FDI is another reason for TÜSİAD's pro-European attitude. TÜSİAD believes that EU membership of Turkey will contribute to an increase foreign direct investment in Turkey. According to Özilhan, foreign investment will allow Turkey to lessen inefficiency and unemployment (Görüş, July 2003: 6). He argues that EU membership is fundamental to increasing the foreign investment in Turkey, such as was the case in Spain (Görüş, July 2003). Özilhan also states that only the EU membership can bring stability to the economy, a hospitable investment environment and political tranquility that foreign investment seeks (Bülten, January-June 2002: 3).

Final factor that effects TÜSİAD's perception of the EU is about the lessons derived from the economic crisis, which dates back to 1979. During the 1978 economic crisis, TÜSİAD got in touch with the IMF, World Bank, European Community and even NATO circles in order to bring economic stability (Gülfidan, 1993: 84). Şahap Kocatopcu notes that "EC represents not only economic but also political integration; if Turkey joins the EC she will not fear to be left alone in times of crisis" (Gülfidan, 1993: 84). Thus, TÜSİAD realized the importance of the EU for overcoming financial crisis.

TÜSİAD, as the most active group in favor of the EU membership, counters the groups against Turkey's membership both in Turkey and in the EU. To counter these voices in the EU against Turkey's membership, TÜSİAD has started to draw attention to Turkey's contributions to the EU. TÜSİAD states that Turkey-EU relations should be thought as positive-sum game that will bring benefits to both sides. After the European Council's decision to start negotiations with Turkey, TÜSİAD's Brussels Representation has prepared a brochure on the potential benefits of Turkish membership to EU and calling both EU and Turkish authorities to transform Turkey's potential into assets for Europe.

TÜSİAD has given importance to burnishing the image of Turkey in the EU. TÜSİAD engages in direct dialogue with the European politicians and bureaucrats for Turkey's membership in the EU. Before the Copenhagen Council, TÜSİAD visited the European major centers for lobbying and participated in meetings with the European politicians such as Gerhard Schroder (Bülten, July-December 2002: 11). As an extension of the visit, TÜSİAD also advertised in dailies of 15 European states (Bülten, July-December 2002: 15). Moreover, to affect the policy-makers and the public opinion in Europe, TÜSİAD signed an agreement with Hill&Knowlton firm (2005 Gündemi: 119).

TÜSİAD has opened an officer in Brussels in order to represent the Turkish business community at the EU level and within UNICE, to participate in UNICE expert working group meetings including US, WTO, enlargement, new economy, foreign trade, public procurement; to inform Turkish companies on the evolution of European affairs and to assist them in their projects and initiatives in the EU; and to provide the European and international public and private sector organizations with the accurate information and analysis on Turkey and to

contribute to the presentation of activities in Turkey (Newsletter January-June 2004: p 13). Considering the importance of Germany in EU decision making, TÜSİAD opened a bureau in Berlin for lobbying on 1 May 2003 (Bülten, April-June 2003, 15). On 1 December 2003, TÜSİAD opened another bureau in Paris (Bülten, April-June 2003, 15).

TÜSİAD believes that the European business community could make important contributions for Turkey's membership in the EU. With this belief, TÜSİAD has engaged in bilateral relations with its European counterparts to support Turkey's full membership (Koyuncu, 2003: 154). TÜSİAD has demanded UNICE to support for Turkey's full membership (TÜSİAD, 2002 Çalışmaları: 22).

TÜSİAD strongly opposes alternative options to Turkey's full membership, such as privileged partnership. According to Kaleağası, these can only be considered as "neo-colonialist approach or as joke but in either case, it is not good for the credibility of EU to offer these kinds of indecent proposals" (Parliament Magazine, 13 December 2004: 66). He continues and says that Turkey is politically, institutionally, economically and culturally integrated to Europe and is a member of all the European platforms; there is no reason to think that Turkey is not European when it comes to full membership (Parliament Magazine, 13 December 2004: 66). TÜSİAD opposes the measures taken by European governments that can endanger Turkey's accession. For example TÜSİAD reacted amendment of the 88-7 article of French constitution by which Turkey's EU membership will be put into referendum. For TÜSİAD, this was 'discrimination against Turkey' (2005 Gündemi: 27).

TÜSİAD is aware of the developments inside EU as well as deficits of the EU. Kaleağası says that the EU cannot reform the clumsy social state and remove the barriers on entrepreneurship due to the different dates of elections in member states and the populist politicians that prevent the total reform in EU (Zaman, January 2006). TÜSİAD also demands European business to be interested in the EU policies to overcome problems within the EU. For example TÜSİAD asked European businessmen to work together with the EU institutions and European governments in order to overcome the crisis that was a result of the rejection of the Agreement of European Constitution in France and Holland (2005 Gündemi: 66)²⁵.

Through its pro-European activities, TÜSİAD also faces the domestic opposition of the Euro-skeptics which entirely reject the European project and the EU membership, called as 'hard Euro-skepticism, or "qualified and contingent opposition which does not imply the rejection of membership itself" (Avcı, 2004: 195-196). According to Avcı (2004: 197), the rise of the Euro-Skeptics is related with the nature of the accession to the EU. Since the fulfillment of the membership criteria leads to economic, political and social changes, and since the EU accession will generate losers as well as winners, discussion within Turkish politics becomes increasingly polarized.

²⁵ TÜSİAD argues that by the referendum in France, will not affect Turkey's membership, since the referendum cannot effect prior agreements (2005 Gündemi: 56-57).

Paker explains the conflict between TÜSİAD and the Eurosceptics as follows (Turkish Daily News, 29. 11. 2000):

Capital in Turkey flourished under the wing of the state, but it has reached the point where the irrational behavior and expenditures of the state are not welcome to it. This irrational structure is nourished through credits that are withheld from capitalists and with taxpayers' money. It is evident that EU membership is to the advantage of TÜSİAD, whose future lays in a globalizing world. The other side is worried about its political future. This conflict is not between individuals; it is deep-seated and is likely to continue. It is obvious that capital will oppose a system where the state is in control of the economy to a large extent and cannot be called to account for its expenditures. This opposition has started a little belatedly, but it is only natural.

TÜSİAD opposes the proposals from the anti-European coalition in Turkey to focus on developing relations with the Central Asian or Middle East countries and interprets these options as unrealistic proposals of the groups that benefit from the existing order. TÜSİAD draws attention to the potential benefits of the membership for Turkey. TÜSİAD argues that the failure of the reform process will result with an isolated and weak Turkey, facing security problem.

4.3. TUSIAD on Democratization

TÜSİAD's insistence on democracy can be explained by three factors: democracy as a global norm; democracy to change state-business relations in favor of the latter; and, democracy to sustain political stability.

Democracy and human rights for TÜSİAD are political values associated with globalization. Although TÜSİAD supported the 1980 military intervention, the association now calls for democratization of Turkey in accordance with the standards of Europe. According to Erkut Yucaoglu, TÜSİAD's attempt for democratization is framed by globalization, which is a changing nature of world

economic and political affairs that made democracy not only a necessary but also sufficient condition for modernization and development (Cited by Keyman&Koyuncu, 2005: 113).

In a similar vein, Öniş and Türem (2002: 440) draw attention to the linkage between democracy and globalization. They note that political regimes cannot isolate themselves from the global norms in the age of globalization. Increasingly, democracy is considered as the counter-part of market-oriented reforms. Thus, failure to conform global norms, especially democracy, leads to isolation, insecurity and inability to capitalize on economic benefits, such as attracting FDI. Thus, business elites are aware of the negative consequences of failing to conform the global norms.

Democracy for TÜSİAD is a way to ground liberal economy by which political and economic stability could be assured (Koyuncu, 2003: 183). TÜSİAD believes that political stability, which is pre-condition of economic stability, can only be achieved through social compromise and democracy (2005 Gündemi: 10). Democratization is also a means to check the state and make it more accountable and transparent (Öniş&Türem, 2002: 444). By this, TÜSİAD aimed to curtail redistributive powers of the state so that macroeconomic stability could be achieved.

Democratization makes big business feel more secure in terms of property rights, legitimacy of its dominant status in society (Öniş and Türem, 2002: 442). According to Özilhan, Turkey should accept democracy and human rights, necessary institutional and structural reforms, development of non-governmental organizations and their participation in the administration (Newsletter January-

June 2004: 1). For Özilhan it is wrong to perceive reforms on democracy as concessions towards the West (Hürriyet, 22. 01.2004).

TÜSİAD has been supportive of EU demands on democratization and minority rights, especially the EU demands for the cultural rights of the Kurdish community in Turkey. However Koyuncu and Keyman (2005: 116) note that TÜSİAD values the rise of the Kurdish identity to the extent that it does not challenge the liberal pluralist democracy. Accordingly, TÜSİAD advocates a liberal model of citizenship that accepts the primacy of the individual rights over the cultural identity, acts according to the rule of law and express cultural identity in private sphere (Koyuncu&Keyman, 2005, 116.). Thus, TÜSİAD is against the politicization of the cultural identity or demands for recognition of identity. In the TÜSİAD report “Towards EU Membership: Political Reforms in Turkey”, TÜSİAD suggested the recognition of the cultural rights as individual rights rather than minority rights and asked the government to support the education of the traditionally spoken languages (AB Uyeligine Dogru: Türkiye’de Siyasi Reformlar, 2002: 26-28).

TÜSİAD’s most important activity for promotion of democracy has been the preparation of the Perspectives on Democratization in Turkey. Through seminars and publications, TÜSİAD encouraged the public debate on sensitive issues that were dealt in the report (Atan, 2004: 107). The report was prepared by Bulent Tanor, a respected academician, and was announced in December 1997. It was composed of three parts and dealt with the issues of human rights, political matters and rule of law. More importantly, it proposed for restructuring of the state-society and state-citizen relationships and proposed reform of the party system, altering the nature of civil-military relations and permitting the language

rights of the Kurdish minority (Öniş&Türem, 2002: 446). This was a radical departure from TÜSİAD's tendency to seek good relations with the state elite at all costs.

TÜSİAD was harshly criticized for the report both by the TÜSİAD members and by the public. First generation members of TÜSİAD whose economic power was dependent on the good relations with the Turkish state strongly reacted the proposals dealt in the report. The Eurosceptics, Turkish Armed Forces and the nationalist front has also reacted the report (Türkiye'de Demokratik Standartların Yükseltilmesi: Tartismalar ve Son Gelismeler; December 1999: 44-45). The report was found positive by the EU, liberal-democrats and even by the PKK. Despite the reactions and the strengthening of the Eurosceptics as a result of the Luxemburg Decision, TÜSİAD continued to emphasize on democratization with the seminars and publications to which politicians, businessmen and academicians participated.

Continuation of the clientalistic relations coupled with the rent seeking behavior of Turkish businessmen has challenged the power of business organizations in Turkey. This was evident in the crisis of TÜSİAD after the declaration of the Democratization report in 1997. Especially the first generation of businessmen who knew that their success was dependent on continuation of good relations with the politicians and the bureaucrats opposed to confront with the Turkish state whereas second generation supported the report. Thus, although TÜSİAD went on to publish reports on democratization; its power has been weakened due to the opposition of some TÜSİAD members.

Despite the constant emphasis on democratization, TÜSİAD also faces the problem of undemocratic decision-making. Decision-making in TÜSİAD is

limited to the member of directors or the advisory council. One TÜSİAD member explains the undemocratic situation in TÜSİAD as follows (Gülfidan, 1993: 53):

Those influential in TÜSİAD are few in number... Rather than 'individual' members, small number of 'groups' centered on certain families run the Association. Thus an ordinary member is admitted to TÜSİAD only if his or her views are in line with that of the Association. Those who hold contrary opinions cannot join TÜSİAD.

Öniş and Türem (2002: 451-452) criticize the elite structure of the association that hinders democratic participation and democratic representation of the Turkish businessmen. The authors argue that, despite TÜSİAD's claim to represent the Turkish business' interests, TÜSİAD membership is composed of a few conglomerates. Moreover they point out TÜSİAD's protests against the Welfare Party government in 1997, a party that has come to power as a result of democratic elections. During the anti-Welfare protests, TÜSİAD took part with the military, which contradicted with its emphasis on democratization. However this can be explained with the anti-European stance of Welfare party as well as TÜSİAD's emphasis on secularism. Perceiving WP as a threat to integration with the EU, TÜSİAD supported the military's position against the WP. Moreover, as Koyuncu and Keyman (2005) note, TÜSİAD is against the politicization of cultural identity. Finally, TÜSİAD might avoid confronting with the military. Although it proposes for civilization of the political scene and the curtailment of the political powers of the military, TÜSİAD is aware of the important position that Turkish army holds in determining political outcomes.

4.4. TUSIAD-EU Encounter

This part will deal with the attitude of TUSIAD towards Turkey's EU membership and TUSIAD's contributions to Turkey-EU relations in a historical manner. This part will focus on two episodes: attitudes of TUSIAD towards the EU in the period between the promulgation of Customs Union agreement and the decision taken in the Helsinki Council concerning Turkey's candidacy (1995-1999); and the period after the Helsinki Council. These periods refer two significant changes in Turkey-EU relations: deterioration of the relations as a result of the Luxemburg Council decision to exclude Turkey from enlargement of the EU; and the recovery of the relations and the reform process after the Helsinki Council decision to grant Turkey the candidate status.

4.4.1. TUSIAD before Helsinki

TÜSİAD's first priority in Turkey-EU relations has the Customs Union agreement. Three founders of TÜSİAD has stated that economic, social and cultural development could only be materialized by following the example of free world, along the lines of market economy principles and that the Turkish economy should be oriented towards achieving the planned Customs Union in 1995 and EU (Gülfidan, 1993: 31).

Atan (2004: 109) notes that presentation of the Customs Union agreement as the last chance to guarantee membership by the Turkish government motivated TÜSİAD to focus on the ratification of the agreement. Therefore, TÜSİAD engaged in close relations with the European business community in gaining the

approval of the European Parliament for Turkey-EU Customs Union. TÜSİAD insisted that economic diplomacy should be set up as a means to shape external policies according to the national interests. According to Atan this was used to legitimize TÜSİAD's engagement in Turkey-EU relations (Atan, 2004: 109). Moreover TÜSİAD pressured on the government for fulfillment of the European demands on Turkey, mainly, the political demands.

Despite TÜSİAD's emphasis on the achievement of the Customs Union, TÜSİAD member companies in the automotive industry opposed the CU fearing that the Turkish market would be open to the European used cars (Elder, 2004: 67; Uğur, 1999)²⁶. Some of the support for the MP's opposition to the CU came from these companies. In response to their objection, a 20-year exemption for used cars was granted. This was an example that Turkish businessmen, ignoring their voluntary organizations, might use patronage networks in order to sustain their particularistic interests. This challenges the reliability of TÜSİAD on Turkey's accession to the EU.

Luxemburg decision was another important point in shaping TÜSİAD's attitude towards the European Union. Turkish government's decision to suspend political dialogue with the EU was perceived by Turkish business as the start of de-Europeanization of Turkey, which meant isolation (Atan, 2004: 107). Moreover the debates on the suspension of the Customs Union agreement and calls for looking for alternative markets have contributed to the threat of de-Europeanization. Under this threat, TÜSİAD continued to strengthen its ties with the European counterparts. UNICE was used as the main mechanism to pressure the EU for Turkish membership. TÜSİAD asked the UNICE members to pressure

²⁶ Paradoxically European and Japanese counterparts of these firms opposed complete liberalization of the automotive market in Turkey. (Elder, 2004: 67)

for Turkey's membership before the Helsinki and the Copenhagen Councils. TÜSİAD has also continued dialogue with the European partners through use of Joint Consultative Committee. JCC has issued a common declaration in favor of strengthening of Turkey-EU relations (Atan, 2004: 108).

TÜSİAD's pressure on the Turkish government has increased after the Luxemburg decision. TÜSİAD urged the governments to take necessary reforms for EU membership through direct contacts with the parliamentarians and the government, public announcements, public campaigns and publications. The report on the Democratization in Turkey was an important example of the public campaigns led by TÜSİAD.

TÜSİAD has been always supportive of continuous dialogue in times of political crisis with the EU. TÜSİAD's attitudes' difference becomes clear when compared to other business associations. On Öcalan issue, TOBB and Ankara Trade chamber of trade sent letters to their counterparts in Italy and threatened to boycott the Italian goods, which would lead to the end of dialogue with the Italian counterparts (Sabah, 17.11.1998; Avcı&Hale, 2001: 37)²⁷. On 18 November 1998, the president of TOBB, Fuat Miras, called its members to 'review' their orders from Italy and to seek alternative markets for their imports (Sabah, 18.11.1998). However TÜSİAD did not propose to boycott the Italian goods but chose to use the internal mechanisms of Italy and Europe (Sabah, 10.11.1998). On 19 November 1998, TÜSİAD visited the Confindustria Italian Industrialists' and

²⁷Abdullah Öcalan is the leader of the separatist PKK. In October 1998, Turkey pressured Syria to hand him over to Turkey. Öcalan fled to Moscow and then to Italy in November 1998 with the hope to be granted political asylum. Italian government did not send Öcalan back to Turkey. This has led to anti-Italian protests both among the governmental and societal actors such as putting an unofficial embargo on the Italian-made products and even burning them. In the face of the protests, the Italian government got rid of Öcalan in January 1999 instead of sending him back. In February 1999, Öcalan was captured in Nigeria, hiding in the Greek embassy

Businessmen' Association and 'documented the terror of PKK' (Hürriyet, 21.11.1998). Vice President of the High Advisory Council of TÜSİAD Aldo Kaslowski asked Confindustria to pressure the Italian government in order to obey the bilateral agreements between Italy and Turkey. He also warned both Turkish and Italian media and the businessmen to avoid the deterioration of Turkey-Italian relations. TÜSİAD ex-chairman Kayhan enlarged the lobbying activities by carrying the Öcalan crisis to the European platforms and asked the members of UNICE to pressure Italy (Sabah, 4.12.1998). Rahmi Koç also demanded Koç Holding's partner firm Fiat pressure the Italian government to return Öcalan back to Turkey (Sabah, 17.11.1998).

TÜSİAD's reaction to Greece's support for Öcalan by hiding him in the embassy of Greece in Nigeria was harsher. The reason for this harsh attitude towards Greece can be explained by TÜSİAD's attempt to remove the Greek veto on Turkey's membership. TÜSİAD complained of Greece's support for Öcalan to the UNICE. President of High Advisory Council Erkut Yucaoglu criticized Greece's national hostility towards Turkey and stated that protesting Greece was the only chance for removing the Greek veto on the financial protocol of the Customs Union (Sabah, 27.02.1999). TÜSİAD has also supported the president of Greek-Turkish Business Council Rahmi Koç's decision to resign from his position and to stop the activities of the organization (Radikal, 27.02.1999).

4.4.2. TUSIAD after Helsinki

Approval of candidacy of Turkey for the EU membership in Helsinki Council was a turning point, both for Turkey-EU relations and for TÜSİAD's pro-European activities. Helsinki decision provided legitimacy for the pro-European coalition and gave TÜSİAD a chance a good opportunity to bring Turkey's existing economic deficits into agenda (TÜSİAD, 2000 Çalışmaları: 7)

Probably the period after the declaration of National Programme for the Adaptation of the Acquis (NAPP) has been TÜSİAD's most fruitful one. In March 2001, EU Council approved the Accession Partnership and its financial framework, which underlined the criteria for full membership and demanded Turkey to comply with those criteria within a time schedule. As response to Accession Partnership, Turkish government prepared NAPP for the political, economic and legal reforms required for full membership. However the process of NAPP was not an undisputed one. Avcı (2004) notes that during the Nationalist Action Party (NAP)-MP-Democratic Left Party (DLP) coalition between 1999 and 2002, NAP became an important obstacle in the progress for fulfillment of the NPAA. NAP objected to the Cyprus's bid to join the EU, abolishment of capital punishment, amendment of the article 312 of the Turkish Penal Code, which bans the inciting of hatred on religious or ethnic groups, and the laws that allowed teaching, broadcasting and publication in Kurdish.

Another counter voice came from the military circles. In March 2002, a time when the NPAA was disputed, the General Secretary of the National Security Council, General Tuncer Kılıç, put forward an alternative to Europe and said that (Sugden, 2004: 254):

Turkey definitely needs to be looking for new opportunities...Obviously in Russia and the USA, but also if possible with Iran. Turkey has not received the slightest help from the EU. The EU takes an antagonistic view on issues of importance to Turkey.

Another development that forced TÜSİAD to increase pro-European activities is the decreasing public support for the EU membership. Although the public support for the EU membership reached its peak in November 2001, in 2002, it had significantly fallen to about its 1998 level of 65 percent (Çarkoğlu, 2004: 22-24). The main reason behind this decrease was the debate on the NAPP. As Çarkoğlu (2004: 24) states, public preferences were skeptical on the issues of uses of languages other than Turkish in education and broadcasting, and abolition of death penalty²⁸. Çarkoğlu states two more reasons (Çarkoğlu, 2004: 24): Firstly, in February 2002, personal e-mail of European Commission Representative Karen Fogg was hacked; her private exchanges were manipulated in such a way as ‘to create an image of Fogg, and others who were in contact with her, as traitors who were on EU pay, working against Turkey’s national interests’. Secondly, the start of the bilateral talks on Cyprus was distorted in a way that the public was being exposed to novel views and information.

In response to these developments, TÜSİAD published full-page advertisements in daily newspapers, reminding the government that ‘Turkey is at crossroads’ and called the government to facilitate the accession reforms. Next, TÜSİAD visited the General Staff Headquarters to deliver their message (Sugden, 2004: 254).

Decision of the Copenhagen Council of 2002 to start negotiations in January 2004 led TÜSİAD to focus on Turkey’s EU membership perspective in

²⁸ Çarkoğlu’s study shows that a clear majority of Turkish public was against the Copenhagen adjustments. For more information on public responses on support for EU membership, see: Çarkoğlu, 2004.

2003. In order to force EU to decide on the start of negotiations with Turkey and to correct the image of Turkey in Europe, TÜSİAD opened bureaus in Berlin and Paris in 2003 (TÜSİAD 2003 Çalışmaları: 9). TÜSİAD also took the Lisbon Strategy of the EU into agenda with the belief of a parallelism with the reforms needed for Turkey and the Lisbon Strategy.

TÜSİAD supported and lobbied for the start of negotiations. TÜSİAD argued that the start of the negotiation process would provide additional incentive for Turkey for accelerating integration (TÜSİAD, 2001 Çalışmaları: 56). Before the decision to start the negotiations, TÜSİAD declared that the Turkish business community was aware of the fact that negotiation process will take a long time, but it believes that Turkey is ready to start the accession negotiations (International Herald Tribune. 29.10.2004). During the negotiation process, TÜSİAD aimed to solve any problem that the membership perspective puts on the foreground of the agenda, transform Turkey's potential into political, economic, cultural and security assets for future of EU, and watch and contribute to the EU's evolution towards a globally competitive economy and institutionally efficient political entity (International Herald Tribune. 29.10.2004).

Despite TÜSİAD's contributions, TÜSİAD was not still considered as a 'legitimate association'. This was evident on the debate on the representation of Turkish business through the negotiation period between TOBB and TÜSİAD. TÜSİAD demanded increased participation of private sector and the civil society to the negotiations process (2005 Gündemi: 5). For TÜSİAD, it has the right to be a part of the negotiations process since it is a member of UNICE and since TÜSİAD, with its experiences, can contribute to the negotiators (2005 Gündemi: 8) Against TOBB's argument to be the legal representative of Turkish business,

TÜSİAD opposed any hierarchical organization under the roof of TOBB (2005 Gündemi: 69). In response, TOBB president Rıfat Hisarcıkıoğlu argued that, since TOBB is the legal representative of Turkish private sector, the ideas of TÜSİAD cannot bind anyone (2005 Gündemi: 70). Moreover, Hisarcıkıoğlu said that “all TÜSİAD members are also members of TOBB; thus it is me that will protect the rights of TÜSİAD members” (2005 Gündemi: 121).

TÜSİAD was satisfied with the JDP’s attempt to democratize Turkey. Indeed TÜSİAD benefited from the JDP’s pro-European stance. However TÜSİAD’s relation with the JDP government is not an unproblematic one. TÜSİAD criticized the debates on issues such as head scarf, and argued that these debates deviate the real agenda of Turkey: EU-related reforms. Moreover, TÜSİAD, like the EU, criticized the aggressive stance of Turkish police towards the woman activists in 8 March demonstrations. However TÜSİAD’s criticism was harshly responded by Prime Minister Erdoğan. Erdoğan (2005 Gündemi: 32) asked TÜSİAD ‘to take care of their own business’ and criticized chairman of TÜSİAD Ömer Sabancı with these words:

The increase of the criticisms is not an accident. Tricks are being played. Someone has pushed the button. Businessmen should have common sense. But, for example look at the criticisms about the 8 March. Look at the speech of Ömer Sabancı. The murderers that killed his uncle are waiting over there, but he is giving speech as they want²⁹

In response, Sabancı accused Erdoğan to be intolerant to opposition, even from his party (2005 Gündemi: 46).

Second debate between Erdoğan and TÜSİAD was on the arrest of the Rector of Van University. President of the High Advisory Council Mustafa Koç criticized Erdoğan for the arrest of the Rector. In response, Erdoğan called the

²⁹ Fehriye Erdal, a terrorist, assassinated Özdemir Sabancı, uncle of Ömer Sabancı. After, she fled to Belgium. Turkish government demanded Belgium to return Erdal back to Turkey, but this was rejected.

public prosecutor to investigate the words of Koç (2005 Gündemi: 154). TÜSİAD, with the idea that the tension can damage the reform process, remained silent and overcame the problem with a meeting with Erdoğan. The words of a TÜSİAD member is the sign of the idea of strong state in the minds of Turkish business (2005 Gündemi: 161):

At the last instance we all have business and we have to think of
our business

These words indicated that TÜSİAD members fear that their 'special relations' with the government can be damaged if the crisis continues (2005 Gündemi: 161). Indeed, these words point out the central weakness of Turkish business. Therefore, TÜSİAD members come into conflict with their general demand. TÜSİAD demanded democratization of state-society relations so that political and economic stability could be sustained. However TÜSİAD members do not want to lose their privileged situation and benefits sustained by patronage networks. This indicates a paradox that questions its reliability. As Uğur (1999: 88) notes, TÜSİAD wants to hold its privileged situation but accuses the government for all economic crisis. However patronage networks constitute a fundamental reason of economic crisis. This diminishes the reliability of TÜSİAD, both in the eyes of the governing elites and the public. That is, if TÜSİAD members keep their rent-seeking behavior, this will challenge the legitimacy of their demands as well as their position.

4.5. TUSIAD on Cyprus

TÜSİAD's concern on the Cyprus Issue is related to the EU demands for the settlement of the dispute. Realizing that the Cyprus problem will constitute an obstacle for Turkey's membership, TÜSİAD has focused on Cyprus (Koyuncu, 2003).

TÜSİAD has been supportive on the EU's demands on the Cyprus. TÜSİAD proposed for the solution of the Cyprus problem in line with the UN General Secretary plan. While countering the anti-European coalition, TÜSİAD has benefited from the JDP's active stance on the EU issue and its ability to move beyond the nationalist rhetoric on Cyprus (Öniş, 2004: 17; Avcı, 2004: 208)³⁰.

For the settlement of the dispute TÜSİAD has developed direct relations with the Greek Cypriot government. TÜSİAD mission under the leadership of Ömer Sabancı came together with its counter part OEB (Greek Cypriot Employees and Industrialists Federation) and stated that they said yes to trade with the Greek Cypriot administration (Hürriyet, 13.10.2004). TÜSİAD also demanded the EU to force and inculcate the Greek administration (Bülten, January-June 2002: 4). However TÜSİAD also considers the difficulties of the Northern Cypriot Businessmen. In a visit to for lobbying for the start of negotiations after the Copenhagen Council of 2002, Northern Cyprus Businessmen Association president Ozdil Nami was called to the TÜSİAD mission (Sabah, 12.11.2002).

³⁰ The leader of JDP, Tayyip Erdoğan, was in favor of the settlement of the Cyprus dispute through compromises from both sides. In line with this, he took the Cyprus issue to the public sphere and created a national debate on the Cyprus problem. Thus, he opened the traditional stance of Turkey, which was in favor of the protection of the status quo in Cyprus, into debate.

Before the referendum on the UN General Secretary Plan, known as Annan Plan, TÜSİAD has prepared a radio programme with the aim of enlightening the Turkish-Cypriot public on the EU (Bülten, April-June 2004: 6).

TÜSİAD also faced the criticisms of the anti-European coalition and was accused as 'traitorous'. TÜSİAD strongly reacted to the accusation of the supporters of the UN solution on the Cyprus as 'traitorous'. Özilhan called the Cyprus problem as 'gangrene' and asked for respect to solve such a problem (Hürriyet, 22. 01.2004). He said that it is disrespectful to democracy to accuse the supporters of solution on Cyprus. For TÜSİAD, supporting the status quo meant continuation of the isolation of Northern Cyprus (2005 Gündemi: 147).

TÜSİAD's lobbying activities did not succeed; UN was rejected by the referendum. After the rejection of the Annan Plan by the Greek-Cypriot side, TÜSİAD demanded the European Parliament to hold their promises to Turkey (2005 Gündemi: 14).

CHAPTER VI

CONCLUSION

This work attempted to focus on the affects of the strong state tradition over the activities of non-governmental organizations with special emphasis on the case of TÜSİAD. Three main questions were asked: Why does TÜSİAD demands Turkey's full membership to the EU; how did TÜSİAD contribute to this, and, what are the affects of the strong state tradition on the role of TÜSİAD in foreign policy.

It has been mainly argued that Turkish peak business has been negatively affected by the Ottoman-Turkish political culture in two senses: firstly, businessmen could not evolve into autonomous powers whose social existence was guaranteed; and secondly TÜSİAD members have been negatively affected by the political instability which resulted with economic crisis.

Turkish Republic has inherited a strong state tradition from the Ottoman Empire. Accordingly, the absence of powerful autonomous groups led to the rise of a situation in which the private sector developed under the wings of the state. In addition to this, Turkish political culture had the understanding of patrimonial state in which the state's duty was to protect the order and to sustain welfare of its citizens. These two facts reinforced each other: the absence of intermediary bodies

led to the absence of an individualist political culture which resulted with the legitimacy problem of entrepreneurial activity whereas the patrimonial state understanding and the primacy given to the collectivity prevented the rise of a powerful and autonomous private sector. This resulted with the primacy of political power over the economic power. Although Turkish firms were supported by the state in order to maintain rapid industrialization, their participation to the political realm in an institutionalized manner was viewed with suspicion.

However politicization of Turkish businessmen was unavoidable. As a result of high degree of government centralization and the large role of Turkish state in the economy in the pre-liberalization period, the governing parties controlled a vast amount of resource. This resource base could be easily utilized to attract votes; the parties in government could exchange resources with votes and could sustain their governance. Consequently, the parties that were not in the government got weakened, since they did not have access to patronage resources. This made the competing parties vulnerable to the demands of the electorates. It led to the attempts of governing parties to sustain broad-based coalitions, which resulted with macroeconomic instability, increasing public debts and high inflation rates. In this sense, strong state coexisted with weak governments.

In such an environment, it was inevitable for Turkish businessmen to get involved in politics. Since it was the state that controlled import allocation quotas and foreign exchange resources, which constituted two critical resources for the business during the ISI period, Turkish entrepreneurs had to develop good relations with the governing parties. Moreover since the state had supplied indirect resources, such as tax exemptions, negative interest rates and cheap credits, being a part of the patronage network for Turkish business became a target.

The state tradition had three consequences for Turkish business. Firstly particularistic interests of the business, which is a natural phenomenon in the market economy, is seen as illegitimate both in the eyes of the national authorities and the public. Secondly, representation of the business's interests through the formal institutions was insufficient, which led peak business to develop alternative ways of assuring their interests, such as the patronage networks or voluntary associations. Finally, the economic instability coupled with the protection of private sector through etatist policies resulted rent-seeking behavior of businessmen.

Although economic dependence of Turkish business to the state has decreased in the post-liberalization period, Turkish businessmen still face with the problems created by the strong state tradition and its consequences. Firstly, the continuation of the populist policies resulted with three economic crises in 1994, 1999 and 2001, of which the first and the second ones were directly related with huge public debts as a result of populist policies in the 1990s. Secondly, these crises showed the negative affects of globalization. That is, in the age of globalization, the FDI could easily move from one place to another unless political stability, which is a pre-condition of economic stability, could be assured. Moreover, the key to attract the FDI was to guarantee a liberal political and economic order. In other words, failing to conform the global norms had heavy costs both for Turkey and Turkish business.

In the case of the EU, it was evident that the EU could assure stable markets. Moreover EU-related reforms had the capacity to force the Turkish governments to maintain a liberal political and economic order, which would minimize the negative affects of globalization. Given the weakness of Turkish non-governmental

actors on forcing the governments for these reforms, and the temporality of the IMF agreements, EU could act as an external anchor to avoid political and economic instability and to transform Turkey's existing political structure that is shaped by the strong state tradition.

TÜSİAD's involvement in Turkey-EU relations should be investigated by taking these into consideration. TÜSİAD is the organization of the Turkish peak business that is formed voluntarily in 1971. It acts as a non-governmental organization with the aim of sustaining a liberal political and economic order that is needed in order to sustain the development of private sector and to guarantee its existence in Turkish society.

There is no doubt that the integration of Turkish economy into the global economy through the liberalization and the Customs Union agreement has changed the behavioral patterns of member companies of TÜSİAD. For example the number of professional managers have increased in large holdings. Moreover big business' dependence on the state for foreign exchange has ended as the member companies oriented towards exports and finance. Indeed, they have become important lenders to the state. However, these did not result with a complete transformation of the habits of Turkish peak business: Holdings are still run by the family members; Turkish businessmen still lack entrepreneurial spirit; they still give importance to develop good relations with the governments; they have the rent-seeking attitude, and they still try to avoid serious confrontations with the governments.

TÜSİAD has evolved though time. 1970s have been the years that TÜSİAD aimed to legitimize the social legitimacy of the entrepreneurship against the rising left. In addition to this, TÜSİAD members, who were predominantly industrialists,

were unsatisfied with TOBB in which the interests of conglomerates and the industrialists were underrepresented. Until 1979 when TÜSİAD member firms faced with the shortage of foreign exchange, TÜSİAD did not have a significant influence on governments

Until late 1980s, TÜSİAD proposed for economic solutions and demanded more roles in participating in policy-making. TÜSİAD has remained silent during the Özal era due to the absence of a common enemy. Moreover the patronage politics undermined the possibility of collective action during the 1980s.

After the rejection of Turkey's application, mainly due to political considerations, TÜSİAD shifted its emphasis on democratization and foreign policy, with a special focus on the EU. TÜSİAD urged the governments to take necessary reforms for EU membership through direct contacts with the parliamentarians and the government, public announcements, public campaigns and publications.

Another characteristic of TÜSİAD is its insistence on continuous dialogue with the EU in times of crises. As in the case of Ocalan crisis, TÜSİAD made use of the internal mechanisms of the EU rather than suspending relations.

Our findings indicate three reasons for TÜSİAD's support for democratization: TÜSİAD have realized the importance of democracy for sustaining political and economic stability. Liberalization of economy in Turkey was not accompanied by a liberal political order. Moreover, the state did not retreat from the economic realm. Thus, the continuation of populist policies resulted with high level of inflation and interest rates and increasing public debt, leading to macroeconomic instability. The situation worsened during the coalition governments in 1990s that led to three economic crises. Thus TÜSİAD became aware of the fact that the

government should be accountable and decision-making should be transparent so that populism and economic instability could be prevented. This led TÜSİAD to raise concern on democratization.

Democratization was also important for TÜSİAD in order to guarantee property rights of the peak business as well as to institutionalize its existence in the society. Given that their positions depend on their loyalty to the governing parties, Turkish businessmen feel themselves insecure. Thus, the establishment of a liberal democracy, which is the only way to protect the social position and property rights of Turkish businessmen, was advocated by TÜSİAD.

Another point that increased the importance of a liberal order was the globalization. TÜSİAD members are aware of the high costs for failing to conform to the global norms. For TÜSİAD, democracy means integration to the world economy whereas authoritarianism means isolation and continuous economic crisis. Thus, TÜSİAD proposes for democratization reforms.

TÜSİAD's pro-European attitude is closely related to TÜSİAD's perception of democracy. EU for TÜSİAD is an external anchor that can stabilize Turkish political and economic structure through pushing for democratization reforms. However TÜSİAD is also aware of the fact that the EU's influence on Turkey can continue as long as membership is guaranteed. Due to this, TÜSİAD lobbies for Turkey's membership abroad, and tries to challenge the anti-European groups at home. TÜSİAD tries to create public support for Turkey's membership both in Turkey and abroad. Indeed, it is the rise of the public support for the anti-European groups that made TÜSİAD important. As the debates on sensitive issues increased during the reform process, the anti-European groups used these issues for manipulating the public against the reforms, and even the EU. In addition to these,

the debates on Turkey's membership had also risen in the EU circles. At his point, TÜSİAD played an important role for the constitutional reforms in line with the Copenhagen Criteria in 2002. TÜSİAD's lobbying activities has also been successful in forcing the EU on the decision to start the negotiations with Turkey in 2005.

Second importance of the EU comes from its relation with the globalization. Perceiving globalization as an irreversible process, TÜSİAD argues for Turkey's membership to the EU so that negative consequences of globalization and macroeconomic stability can be prevented. Moreover TÜSİAD argues that Turkey's EU membership will increase FDI to Turkey since EU-related reforms conform to the global norms. Additionally, TÜSİAD takes the EU market as a stable and large one that Turkish peak business can exploit.

Despite its constant emphasis on democracy and other liberal norms, TÜSİAD may be undemocratic at some points. The elitist structure of the organization with small number of members contradicts with TÜSİAD's claim to represent the Turkish private sector. Moreover domination of TÜSİAD by certain families prevents democratic policy-making inside TÜSİAD. Finally TÜSİAD's reliability on the issue of democratization is a problematic one; as noted earlier, TÜSİAD may prefer stability to democracy if stability and democracy cannot co-exist.

However the major problem that prevents TÜSİAD to become a powerful pressure group, influencing foreign-policy making is the state tradition. Still, TÜSİAD is not a member of the ESC, the organization that TÜSİAD proposed. Moreover, since TÜSİAD members are compulsory members of the TOBB, there rises debate on the right to represent Turkish private sector. TÜSİAD is not considered as a legitimate representative of Turkish business; when confrontation

with the government appears, TÜSIAD is advised to take care of their own business rather than politics. Paradoxically, TÜSIAD members, leading to the loss of coherence policy-making, criticize confrontation of TÜSIAD with the governing parties.

Another important point that challenges the power of TÜSIAD is the patronage networks. Despite TÜSIAD's emphasis on preventing economic instability, TÜSIAD members continue to be a part of patronage networks; they still seek for rent. Thus TÜSIAD members contradict with their own demands. This decreases the reliability of TÜSIAD and stimulates the already-existing prejudice towards peak business.

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