

## Islamic vs. Secular Business Interests: Towards Turkey's New State Spaces

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### Abstract

This study investigates the new power balances in Turkey's new state spaces by looking at the new alignments that have been confronting the historically constituted secular capitalists. Through the emergence of Anatolian Tigers and the institutional/organizational capacity they have been engendering, this study aims to assess the extent to which Turkish business climate is inflicted with a transformation between "a secular, Turkish Industrialists and Businessmen Association (TÜSİAD) led historically established business interests and conservative, Independent Industrialists and Businessmen Association (MÜSİAD), Association of Anatolian Businessmen (ASKON), Turkish Confederation of Industrialists (TUSKON) and Industrialists and Businessmen Associations (SİADs) led entrepreneurial activism". While there have been efforts to distill a 'new' mode of economic development for Turkey, its dynamics and form are still debatable. In this picture, the post-2002 Justice and Development Party (AKP) era and the emergence of new state spaces represent the prioritization of economic interests over others, resulting in a concerted but yet competitive business climate unlike the previous era. Then, what are the peculiarities of this new era and how can these peculiarities be better understood to make more sense of the emerging business climate in Turkey?

**Keywords:** Turkey, State Spaces, Islam, Capital, Neoliberalism

### 1. Introduction

*New State Spaces* according to Brenner (2004) refers to changing spatialities of states. An integral dimension of changing state spatialities are predicated upon active production and transformation emerging upon sociopolitical and socioeconomic struggles at various scales (80). In this sense, new state spaces refer to "territory-, place- and scale-specific ways in which state institutions are mobilized to regulate social relations and to influence their locational geographies" (Brenner, 2004: 78). In a way, new state spaces correspond to changing frameworks and geographies of state intervention into socioeconomic processes and different political powers constitute their own intervention strategies. For this reason, new state spaces do not imply full convergence in terms of the strategies and scales of intervention by states, but instead they pinpoint relatively versatile place specific institutional legacies and political alliances (Brenner, 2004: 79). What does new state spaces mean in the case of Turkey? This study approaches Turkey's new state spaces by taking into account three important approaches. First of all, new state spaces in Turkey entail both bottom-up and central state-instigated changes and agendas that are more complex, in part because of the class alliances that they bring together. An integral aspect of the class alliances is to recognize the new fragments of middle class in Turkey. Rising influence of SİADs, TUSKON and formerly the MÜSİAD on Turkish political and economic life should be assessed within the framework of changing nature of state spaces in Turkey. These new political mobilizations in the case of Turkey gained a national character and articulated to the national agenda through the AKP. In addition, central state instigated institutional strategies as in the case of a revised and enhanced "economic investment incentive mechanism" had a crucial impact in the formation of new state spaces in Turkey.

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Secondly, as Bayırbağ (2009) explained, new state spaces utilize from the increasing prominence of localities as strategic loci and actors of policy-making is a product and arena of the current rescaling of the capitalist state and this process might lead to greater local agency as it can articulate to broader, in the case of Turkey “national”, political strategies; and, the ways in which these local interests are ultimately integrated into the spatiality of the rescaled state. As Brenner (2004) explained, coherence of state institutions and policies are never pre-given, but established through political strategies to influence the form and internal structure of state space. Furthermore, state spaces should be seen as products of earlier efforts to reshape the very same spaces. Hence, spatial strategies of the state power can therefore be viewed at once as a site, generator and product of political strategies (a) inherited patternings of state spatial organization and (b) emergent strategies to modify or transform entrenched political geographies (Brenner, 2004). In Turkey, state spaces that have shaped and molded the business climate historically have been construed through a binary between center and the periphery. Center-Periphery approach has been widely resorted in order to explain how secular nation state cultivated spatial strategies and regimes of accumulation. When we study state spaces in Turkey, it is imperative to first study the center-periphery approach as this characterization has been paving the way to a glocalized state space, as both entrepreneurial urban forces in the forms of leading city based actors such as SİADs, municipal leaders, civil society organizations, local families, industrial zones, chambers of commerce and industry as well as institutions of European Union, i.e. European Union Business Improvement Centers (ABIGEMs). This time, however, rather than Istanbul or Ankara, cities of Anatolia took the lead in sustaining economic dynamism.

Third, in his influential book called *State Theory*, Jessop introduces a key concept, namely, the interlocutor. Drawing the boundaries of the concept of “interlocutor” from Jessop’s perspective has the potential to bring crucial insights to the role played by AKP government, TÜSİAD and other interlocutors in the Turkish political economy such as the Anatolian bourgeoisie mobilized around SİADs (the industrialists and businessmen associations), the role of the MÜSİAD (the Independent Industrialists and Businessmen Association), which acts as the representative of political Islamist capital in Turkey in the economic domain. An interlocutor could contribute to political and economic representation in three ways: 1) by direct provision of the financial and/or organizational resources; 2) by lifting legal and/or other obstacles currently blocking the demands of a mobilized group, sometimes by legitimizing these demands via legislation or other forms of explicit political support; 3) or by linking up with the mobilized group in the pursuit of mutual interests that could be better achieved via active cooperation. Jessop was explicitly concerned with the re-scaling process of the capitalist state and explained how diversified the potential interlocutors for a “mobilized group” were in scalar and institutional terms. Thus, according to Jessop, we should expect to see the emergence of new (scalar) forms of political representation since the nation-state is no longer the most dominant actor due to decreasing capacity to maneuver. Thereby, a critical question concerning the Turkish business climate under the AKP era is to question the actor, which assumed the responsibility of an interlocutor.

Guided by these approaches, this study assesses first the literature on Turkish business that is mostly studied either with an institutional or class-based analyses in case studies of TÜSİAD and MÜSİAD. In this assessment, the historical centrality of state autonomy and capacity to define the limits and advance of private sector highly matters. Accordingly, the findings point out more of a state-led formation/development process for Turkish business. Then the following section points out a transformation from state-instigated business agenda to a more competitive and bottom-up mobilization in a historical perspective due to the changing nature of state spaces. It argues that new state spaces change the dynamics of business development and relations in Turkey by transforming center-periphery relations into a more competitive multicentered environment. The discussion proceeds with the elaboration of this multi-centered business climate demonstrating that rescaled state leads an economic dynamism in which multiple actors with diverse strategies are mobilized in a neoliberal transformation process. Built upon this transformation process, following section introduces a discussion on the business climate during AKP era in terms of different scales of business representation and relevant actors at different levels. In the last section, concluding remarks are presented.

## 2. The Turkish Business and the State

Since Turkey was a late industrializing country, state intervention in economy and its financial and technical support were the main resource for the development of large business. While the large Turkish capital was developing under the state’s custody, the small and medium size enterprises could not find space to develop their own business in this imperfect market until the neoliberalization of economy in the 1980s. Accordingly, the development of Turkish business is generally examined in relation to the role of the state. Relevant studies majorly focus on either TÜSİAD as a state-created Istanbul based secular bourgeoisie to assess the development and institutionalization of large capital or MÜSİAD as an institutional interest representation of small and medium enterprises of conservative Anatolia.

When twelve businessmen founded TÜSİAD in 1971 as a voluntary association, they were reacting against Import Substitution Industrialization (ISI) oriented economy in which state was the major actor controlling the investments and production. Until the 1980s, TÜSİAD continuously argued for economic liberalization and advocated free market economy to press on the political authority for required reforms (TÜSİAD Retro, 2013). Although TÜSİAD as an interest organization was consistently pressuring through interviews, declarations and publications to change the principles of economy, on the other hand its constituencies were subsidized through their personal relations with the state elites who were pursuing the development and modernization of the country through enhancing a large business that fits into the necessities of the national economy by disregarding small and medium size enterprises (Buğra, 1998: 524). When the export oriented economic model was adopted in the 1980s in favor of establishing new enterprises and the autonomous role of the state in economy decreased for transition to a regulated competitive economy, there emerged different size of firms in different parts of Anatolia. MÜSİAD, which was founded in 1990 in a different sociopolitical and economic environment from TÜSİAD, became the interest organization of these different sized and geographically dispersed enterprises. Accordingly, both associations became mechanisms of different interest representations and also the agents of two different class strategies due to the historical and social structure in which they were formed (Buğra, 1998).

The social class constituting TÜSİAD is the state-created secular bourgeoisie, which is large in size but small in number and composed of geographically concentrated companies in Istanbul and around. This elite group of large bourgeoisie institutionalized TÜSİAD for their interest representation and for making their claims public, while actually they owe their existence to state's financial support and having close personal ties with the secular state elites (Buğra, 1994; Keyder, 1987). On the other hand, MÜSİAD was formed against state's autonomous role in managing economy and represents a class of business enterprises, which were formerly excluded from benefiting state subsidies due to their small size, geographical location and to some extent their conservative life styles mostly based on Islamist values and conduct (Başkan, 2010). Therefore, MÜSİAD provides a platform for conservative Anatolian businessmen to cooperate and communicate both at local, national and international levels through mobilizing a cohesive network of trust and solidarity vitalized by Islam (Buğra, 1998; Özcan and Turunç, 2011). While the phase of the 1970s and the 1980s was mainly characterized by TÜSİAD's economic considerations in its approach to political regime (Öniş and Türem, 2002: 443), the 1990s and onwards were dominated by its emphasis on democratic consolidation (Yavuz, 2012). State autonomy prevented TÜSİAD to exert political influence during the controlled market economy period as state was subsidizing TÜSİAD without expecting any political return. Accordingly, TÜSİAD did not denote its political position on issues dominated by the state ideology such as laicism and national identity (Yavuz, 2012: 519). When its dependence on state decreased during the 1990s due to the liberalization of economy, it started to tackle also with political and social problems. In order to enhance democratic governance and promote individual rights and freedoms, it published first report in 1997 on democratization and state reform, *Perspectives on Democratization in Turkey*, which followed by a second report in 2007 (Bayer and Öniş, 2010). It seems that being represented as an organization helps TÜSİAD's members to have an influential formal political voice that declares political and economic concerns and demands to the state elite, government and public.

This emphasis on democratization indicates that TÜSİAD as a business organization is not consisted of only rational capital or interests of its individual members but also has an institutional structure that sets long-term goals and agenda in accordance with its ideology (Yavuz, 2010). The motive behind this commitment is the idea of its members that democratic consolidation helps to compete with international capital. Accordingly, it perceives the European Union (EU) accession process as a way of integrating into international markets (Yavuz, 2012). On the contrary, there are studies indicating that what TÜSİAD means by democratic consolidation is actually not enhancing liberal rights and freedoms through deepening of democracy but rather stabilizing the political and economic environment through good governance and providing services and infrastructure needed to run their business (Öniş and Türem, 2002). Democracy is considered as an instrument to reach minimal state and stability, as there was no emphasis on people's rights and freedoms, labor rights and redistribution policies (Bayer and Öniş, 2010). Another research discusses TÜSİAD as a policy entrepreneur as it supports the EU membership criteria as a new opportunity structure that would create a new window of opportunity for consolidation of democracy.

In contrast, the AKP government acts like a policy opportunist who used this window of opportunity to channel electoral support on its political agenda for a short-term and then shifted its political primary goals to other areas after anchoring its electoral victory also in 2004 local elections (Uğur and Yankaya, 2008). Whether TÜSİAD uses democratization agenda as an instrument for good governance or not is still debated, it contributes to the democratization when it acted as a moderating force to decrease the tension between conservative AKP government and the secular state elites since 2002 (Yavuz, 2012). However the strategic support given to the government on the grounds of EU accession process and IMF policies began to decrease since 2008 as AKP became less enthusiastic on both issues and more inclined towards the demands of the rising Anatolian business represented by MÜSİAD, which is more critical on both issues (Öniş, 2012). It seems that as long as the AKP government continues with making reforms to meet the EU accession criteria and remains committed to the liberalization of economy and stability, TÜSİAD supports government policies on behalf of democratization and moderates the aroused tension on laicism. The examination of the state-led formation and development of TÜSİAD indicates that TÜSİAD is an institutional representation of a social class comprised of large secular Turkish capital. Although its emphasis was in general on economic liberalization since its establishment, its position was never independent of state-instigated agenda and policies until the adoption of the competitive free market economy. Only in an environment and security provided by the neoliberalization of economy, TÜSİAD succeeded to publish reports on its political as well as economic agenda.

As the role of the state in economy has changed from being more interventionist to a regulatory one since the 1980s, the focus of the economy shifted from ISI orientation to economic liberalization and initiated privatization and deregulation that would open closed domestic market to new competitive capital and business. Such a drastic transformation of economic model stirred new enterprises and led to the industrialization and urban growth in Anatolia through the emerging new state spaces. The municipal resources and local facilities provided necessary allocation of accumulation and spaces for this new entrepreneurialism and contributed to the economic expansion in Anatolian cities known as Anatolian Tigers. Hence, Anatolian business found opportunity to become entrepreneurs depending on their own capital without the subsidies of the state (Başkan, 2010). Accordingly, the accumulation of wealth in conservative middle classes began to undermine the monopoly of center state elites in regulating the economy and created a class consciousness in terms of they are representing hard-working, Islamic and traditional Anatolian people in opposition to secular large business monopolized by a few families in Istanbul (Özcan and Turunç, 2011). In addition, globalization of trade enhanced the rise of small and medium Islamic business from different locations of Anatolia as they succeeded to expand their business to new foreign markets (Öniş, 1997). Prior to these significant transformations, it was difficult for any enterprise to compete with state-protected large business in an imperfect market (Başkan, 2010; Gümüşçü and Sert, 2009: 963). The rise of Anatolian business was also possible as state's approach to Islam shifted to a more welcoming position. After the 1980 military coup, the military government supported Islamist movements to enhance stability and order in the country through developing a "Turkish-Islamic synthesis". In this way state used Islam as an instrument to create a coherent society along a common national identity (Öniş, 1997). Once the Islamic elements were released themselves from secular state pressure, Islamic Anatolian businessmen found space to develop their own business.

The new entrepreneurialism of the 1980s mobilized by this class dynamics in the space withdrawn by the state created its own local networks for cooperation and communication that expanded towards a national and international representation by MÜSİAD since its foundation in 1991 (Özcan and Turunç, 2011). Accordingly, MÜSİAD as an institutional representation acts to integrate small and medium size and geographically dispersed Anatolian business into the national and global economy by benefiting from the decreased role of the state in economy. Its formation also coincides with the rise of political Islamist Welfare Party (Refah Partisi, RP) in the mid-1990s. When RP won 1994 local and 1995 general elections unexpectedly, its relations with the state changed as they derived political influence through the government by supporting its economic and political agenda. However, the association realized that RP's Just Order (Adil Düzen) economic agenda was statist and inward oriented, they shifted their support to "reformers" in the party as opposed to "traditionalists", since reformers were endorsing a competitive export-oriented free market economy. Accordingly, after the legitimacy of RP was shattered with the 28<sup>th</sup> February 1997 military intervention that dissolved its coalition government with True Path Party (DYP), MÜSİAD made its choice to support reformers for a new political mobilization rather than close-minded Islamists (Başkan, 2010). After 28<sup>th</sup> February process, it encouraged and supported the establishment of the AKP in 2001 for it has been defending economic liberalism right after the ban of Virtue Party (Fazilet Partisi, FP) which shared the same faith with its predecessor RP.

Hence it had a role in the transformation of AKP government from its predecessor Islamist RP to a conservative democrat center-right party line (Başkan, 2010). Besides its moderating influence on democratization and economic liberalization agenda, MÜSİAD also supported AKP by its financial and human resources. This mutual relationship became an organic one between MÜSİAD and the AKP government, as some of MÜSİAD's members complemented its local party organization when the party was founded and became office holders in the government since then (Gümüştü and Sert, 2009: 964). MÜSİAD institutionally represents a social class comprised of small and medium size Anatolian business and it uses Islamic values and conduct as a resource of class strategy to create a binding force between members and to share common interests and assign ways of conducting business and business ethics (Buğra, 1998: 529; Tür, 2011: 590). Against Western oriented economy ensured by the secular state elite, it adopts an Eastern oriented economic strategy which points out a different class strategy than what state elites and also TÜSİAD were pursuing (Buğra, 2002). Through the means of association, its members receive market-related and technological information, participate in international fairs and networks and establish business relations that are difficult to achieve otherwise. It is not only an institutional business representation mechanism, but also a nation-wide network of trust and solidarity in which Islam is a useful value system resource to build mutual trust among its members. In doing so, it reconciles capitalism and Islam in the eyes of the Muslims to eliminate any misunderstandings about the incompatibility of Islamist values and conducting business (Buğra, 1998: 531). It reorients its economic interests and ideology in line with the economic interests of this social class and readjusts its relation with the state, first through Islamist RP government in the mid-1990s and then through center-right AKP government since 2002.

Other private sector associations such as ASKON and TUSKON also represent rising local Anatolian businessmen. As mentioned above, while MÜSİAD chose to support reformer AKP against traditionalist RP after 28<sup>th</sup> February process in 1997, a new group of businessmen formed ASKON in 1998 backed by the support of Islamist RP (Yılmaz, 2013). ASKON was advocating a national economic development model in accord with the Just Order agenda in which just means of capital accumulation was argued to contribute a protected national economy with an Eastern developmental orientation. However, this vision seems to be transformed into a more competitive and global economic development model since ASKON started to build close relations with AKP government and involved in making new investments in emerging markets. TUSKON is established by Fethullah Gülen's faith-based network in 2005 in a relatively stable and competitive liberal market economy compared to former institutions (Buğra and Savaşkan, 2012). It is a confederation of seven regional federations, which are composed of local business associations. Similar to former two associations, it represents small and medium size enterprises and aims to promote their local level business by building external trade relations and making investments in foreign emerging markets.

For this reason, it collaborates with Foreign Economic Relations Board of Turkey (DEİK) to become a part of foreign economic policy-making process, involves in intergovernmental meeting and negotiations with Turkish and foreign state leaders and organizes large business events and trade summits to create a platform of interactions for its members with the state (Atlı, 2011). The interaction of TUSKON with the state to conduct business in new foreign markets indicates a new model of wealth accumulation over exportation (Karakas, 2012). This close collaboration of TUSKON with the state derives from its closeness to the AKP government. Although TUSKON as a business organization does not have organic ties with the government yet besides its ideological closeness, they mutually benefit from each other as AKP provides the grounds for its members to expand their business while TUSKON's large local base is an electoral support base for the government (Atlı, 2011). Although the establishments of ASKON and TUSKON seem to indicate an ideological divergence with MÜSİAD and fragments in the mobilized conservative classes, their economic interests eventually bring these associations into a common point to enlarge their local business to nation-wide and foreign markets. They all work through a network of trust based on Islamic values to sustain the dynamism of its members and are also motivated by their profit seeking self-interests. This strategic use of Islamic values for creating a coherent community did not impede the rise of conservative Anatolian middle classes (Özcan and Turunç, 2011). Accordingly, it is fair to say that the rise of the local Anatolian business continues to expand through class alliances by articulating themselves to the national and foreign economic policy of the AKP government. Hence, since the 1990s, the rise of conservative middle classes implies a competitive bottom-up mobilization due to the changing nature of state spaces by the neoliberal transformation.

### 3. From Center-Periphery to New State Spaces

Şerif Mardin's center-periphery approach to Turkish politics has been born out of the epistemological necessities arising from the uniqueness and peculiarities of the Turkish experience itself as an outlier in reference to both the chronology of the European and North American political development and the political trajectory of the Islamic world. When Şerif Mardin's article entitled "Center-Periphery Relations: A Key to Turkish Politics?" first appeared in the winter 1973 issue of *Daedalus*, this structural dichotomy became widely popular as an application model to lay out the interior configuration of political and economic geography of Turkey (Yenigün, 2006). As a preparatory background to the center-periphery approach, Metin Heper's (1985) "state tradition thesis" marks the absence of control by peripheral forces in the Ottoman Empire over the state apparatus by which the state possessed sufficient discretion to isolate itself from the rest of the society and establish itself as a force of its own beyond the imperial palace, which disabled societal functions for a coherent and active civil society network to emerge during the Ottoman era (Güngen and Erten, 2005). Thus, Heper claims that this strong state and weak civil society combination has been inherited from the Ottoman Empire by the Turkish Republic as a copy-paste mechanism over the installment of a different political platform (Güngen and Erten, 2005).

Building on top of the legacy of strong state, Mardin asserts that the main connections between the state and the peripheral forces were religious institutions during the Ottoman era, which were eliminated by the central elements of the Republic era in conjunction with the top-down reform movements targeting a laic and modern nation-state (Güngen and Erten, 2005). In other words, the center modified and re-established itself as the chief political, economic and social engineer of a new state in the Turkish Republic with the intention of managing a modernization project, while the periphery remained confined to a traditionalist social construct mostly as the object of this implemented project. As the Turkish economy became more and more entrenched in processes of globalization in the 1990s, it became apparent that the Kemalist state faced serious difficulties in responding to new societal problems and demands, especially those articulated in identity terms, those demanding the protection afforded by social and political rights, and those demanding the recognition of the ethnic and religious differences (Keyman and Koyuncu, 2005). The strong state turned out to be too strong in its attempt to impose itself on society, and too weak to govern society effectively (Keyman and Koyuncu, 2005). Thus, the strong state faced (and still faces) a serious legitimacy problem in maintaining its position as the primary context for politics given a shift towards civil society and culture as new reference points for the language and terms of politics.

The dilution of the center-periphery paradigm to a certain extent had found existence within the rescaling of the Turkish state during the neo-liberal era in the post-1980 period. This rescaling process not only produced new actors, new discourses and new strategies, but also provided a fertile ground for the mobilization of economic interests of a variety of social and political sectors in Turkey. The 1980s, doubtlessly, have created a significant turning point for the emergence of new state spaces in the sense that the national state's role in the economy gradually began to decline. Increasing liberalization of the economy brought about new dynamics, which could not solely be explained by center-periphery approach. Unlike the Import Substituting Industrialization (ISI) period, which granted certain benefits through five year development plans, development projects, infrastructure support and public investments, during the course of the 1990s and onwards, the Anatolian cities were expected to survive on their own. This decreasing state involvement should be interpreted in the context of the simultaneous state decentralization process. The resulting decentralization of municipal procurement procedures opened up new opportunities for local businesses by enhancing the integration of small and large firms around local projects.

This became crucial in helping local actors in the form of city-based collectivization of interests to attain local agencies to pursue local strategies of accumulation. Furthermore, the rise of Islamist politics has meant the successful penetration of local interest groups into urban politics and municipal administrations. This created new opportunities for local SMEs and enhanced the power of municipal governments in city and local party politics. Accordingly, new opportunities for business associations, Chambers of Commerce and Industry and other members of urban growth coalitions to acquire a more active role and the capacity to maneuver in local politics and decision-making processes has been occurred. At the same time, the devolution of urban planning to municipalities in the mid-1980s, and the collection of local property taxes meant that the investment by the banks and their regional directorates in municipalities' development expenditures began to shrink. In response, a new form of municipal finance emerged based on the increasing use of foreign credit in local infrastructure projects' development and funding and participation in international businesses and organizations.

In the 1990s and especially in the latter half of the decade, the use of foreign credit in urban projects increased significantly. This new model marked a shift in center-periphery relations as it allowed municipalities to bypass the center given their direct links with international organizations and banks. In this period, the total international commercial credit used by Turkish enterprises rose dramatically from \$2.6 billion in the 1990-1995 period to \$6.1 billion in the 1995-2000 period. Although this developed into a common practice across the country, with the exception of Gaziantep, Anatolian cities were relatively less enthusiastic about this possibility. Kayseri largely relied on and benefited from workers' remittances from Europe, but this is not counted as credit because this money was primarily transferred through Islamic sects and networks (Demir et al., 2004; Kösebalaban, 2007). Briefly, the periphery had to abide by the priorities of the core prior to the 1980s in the Turkish context to retain achieved economic standards, but this dependence no longer prevails at the same degree, since the periphery became more fragmented and more able to economically re-generate itself at other scales such as inter-urban, regional, even global and produced new (in) dependencies in the post-1980 era. In other words, there are now more mobile and transient socio-spatial relations that are at work in the periphery, as well as in the core. As opposed to the Keynesian style accumulation strategies envisaged by the core-periphery model that were mostly designed at the national level, there are now alternative accumulation strategies, working at different scales. Nevertheless, a dualistic understanding between the core and the periphery disguises the other intriguing dynamics, "repositionings", "respatializations" and "re-hierarchizations" among various other actors, both within the core and within the periphery. These new realignments among various actors, both economic and non-economic, clearly reflect the basic idea behind the proposed emergence of transformed state spaces in Turkey since the 1990s and onwards.

#### 4. Business Climate During the AKP Era

Transformation of center-periphery relations into a more multicentered and rescaled economic relations continued during the AKP era since 2002 with its continuing support to rising Anatolian bourgeoisie. While Anatolian businessmen highly benefited from engaging into the local projects and new investment opportunities during the neoliberalization process of the 1990s, the dedication of AKP government to liberal economy and conservative social base in line with Özal's ANAP model brought more opportunities to these small and medium size enterprises to penetrate into nationwide politics and market as well as to build new trade relations at regional and global scales. Accordingly, local bourgeoisie of the 1990s became new centers in the periphery as a result of alternative accumulation strategies at different scales in the 2000s other than state apparatus. However unlike the 1990s, the advancement of Anatolian bourgeoisie in the last decade is not independent of the AKP government as there is an organic tie between the party and the Anatolian business.

While Anatolian enterprises were developing by building new business associations like MÜSİAD, chambers and other urban growth coalitions independent of the center, they also had an opportunity to engage in politics when political Islamist RP won a sizeable number of municipalities in Anatolia in 1994 local elections and then around 21 per cent of the votes in 1995 general elections and hence be a major coalition partner in the government. Prior to the 1990s, secular state establishment as the core of the political and economic relations undermined the development of the Anatolian bourgeoisie not only because they represent the interests of the small and medium size enterprises that cannot compete in global markets as large Istanbul capital does, but also they were socially a part of the political Islam movement Milli Görüş (National View) represented by the RP in the 1990s. However the interests of these enterprises who were mostly from middle or lower classes were clashing with RP's Just Order agenda (Özcan and Turunç, 2011). Just Order was proposing statist, anti-Western and interventionist economy model whereas these enterprises were well aware that they owe their development to a well-functioning free market as MÜSİAD's founding president Erol Yazar stated (Gümüşçü and Sert, 2009: 963). Another divergence point was the political tension between Islamist RP and the secular state establishment, which was ruining economic stability and increasing the risks for the business. In the process following the 28<sup>th</sup> February post-modern coup, the bans on RP in 1997 and its successor FP in 2001 by the Constitutional Court because of their anti-secular actions urged MÜSİAD to reconsider its preferences and political position. Eventually they supported the reformist wing in Milli Görüş which claimed to be different than its predecessors and contributed to the formation of AKP in August 2001 as a center-right party with a liberal economic and socially conservative orientation (Başkan, 2010: 407-8).

In response to MÜSİAD's disengagement with Milli Görüş, businessmen supporting traditionalists formed ASKON in 1998 as an alternative business association in line with Just Order agenda. While AKP declare its political position as a moderately conservative center-right party, MÜSİAD contributed to its ideological moderation both in political and economic terms as Ali Bayramoğlu who was the second president of MÜSİAD and elected as an AKP deputy in 2002 and 2007 general elections claimed that MÜSİAD's reports and analyses helped to construct the party's ideological basis (Başkan, 2010: 407; Gümüüşü and Sert, 2009: 964). Along with ideological contribution, MÜSİAD also contributed to AKP's formation by establishing party's local branches with its members in various Anatolian cities before 2002 general elections and some members of MÜSİAD were elected as AKP deputies in 2002 and subsequent general elections (Başkan, 2010: 408). For instance one of MÜSİAD's founding presidents states that he founded AKP's local branch in Şanlıurfa and was elected as AKP deputy in 2002 and 2007 general elections. One of the founders of MÜSİAD's Samsun branch also states that he was proposed to join AKP and he founded the party's local branch in Samsun in 2001 (Başkan, 2010: 412). In return for MÜSİAD's financial and human resources support, AKP in its 11 years of rule contributed to the development of small and medium size enterprises in Anatolia through financial supports given to projects, tax incentives, protection from unfair competition and supporting exportation (Başkan, 2010: 413).

Along with political engagement resting on shared ideology and organic ties, Anatolian business also benefited from the enhancement of different capital accumulation strategies of neoliberal economy, especially after the 2001 economic crisis. Rather than relying on rents provided by the state, they adopted an investment strategy that urges to invest in new markets abroad (Kutlay, 2011). These new investment and financial opportunities in Turkey's neighbors are started to be explored by emerging Anatolian businessmen in AKP's state visits which are organized by Foreign Economic Relations Board (Dış Ekonomik İlişkiler Kurulu, DEİK) in collaboration with TUSKON since its establishment in 2005 (Tür, 2011). DEİK as a private agency was formed in 1986 by joint efforts of 40 associations under Özal's provision with a purpose of coordinating foreign business relations through organizing official state visits and providing information that would facilitate economic relations and cooperation abroad. Majority of its members are small and medium size enterprises from sectors such as foreign trade, construction, tourism, logistics and health (Atlı, 2011: 117). TUSKON representing the interests of the small and medium size Anatolian business works with DEİK to organize Turkey's foreign economic relations and manifests a pro-government stance (Tür, 2011: 591-2). Accordingly, small and medium size Anatolian entrepreneurs either through their memberships to DEİK councils or to TUSKON federations join in foreign economy policy making by "creating platforms of interaction with the state, such as large-scale business events, participation in state leaders' official visits and direct contacts with policy makers ... and representing the business community in intergovernmental meetings and negotiations" (Atlı, 2011: 121).

It seems that Anatolian businessmen have both direct and indirect contact with the AKP government through its collaboration with business associations. While MÜSİAD forms AKP's spine through its local branches and human supplies, TUSKON and DEİK facilitate its foreign economic activities. In response to these supports, AKP foreign economic vision is focused on developing foreign trade relations with Middle East as Anatolian businessmen feel ideologically close to Muslim nations in the region and as these markets are open for importation of Turkish products (Tür, 2011: 594). While Turkish exports to Near and Middle East and North Africa regions were constituting 15 per cent of the total exports in 2003, it increased to 34 per cent of the total exports by 2012 (TÜİK, 2013). In some occasions, these reciprocal relations between AKP government and the Anatolian business also contains favoritism. In the case of purchase of second largest media group ATV channel and Sabah newspaper which was under public custody because of its financial difficulties by Çalık Holding known by closeness to Prime Minister Erdoğan, two Turkish state banks provided 750 million USD loan to the Holding (Özcan and Turunç, 2011: 75). Meanwhile, a critical component of rising exports has been instituted through the changes in the economic investment incentive mechanism. As indicated in a report published by the KPMG (2012), according to the new Decree (#2012-3305) became effective in 2012, Investment Incentives Regime in Turkey has shifted towards a more sector-specific approach, aiming directly at high value-added, high-tech and export oriented investment. According to the most recent amendments made to the existing investment incentive system, compared to before, now Turkey has a relatively more diversified and complicated mechanism involving four pillars. These pillars are primarily General Investment Incentive Practices, Regional Investment Incentive Practices, Large Scale Investment Incentive Practices and Strategic Investment Incentive Practices (Ministry of Economy, 2013).



As the titles and the detailed structure of incentives provided in the new scheme reveal, each round of state intervention under the AKP era to the economic investment incentive mechanism contained a broader spectrum of instruments (TEPAV, 2012). For instance when various packages are compared, one can identify four incentive packages during the AKP era. Laws # 5084 and #5350 which have been put into practice in 2004 and 2005 respectively introduced tax and insurance premium reductions, energy support and land allocation. Moreover, while the former law encompassed 36 provinces, the latter one had 49 provinces in scope. By law on July 19th, 2009 brought new instruments as well as approaches. For instance, first time incentive levels started to vary according to different regions and sectoral measures started to find existence. Three new measures were prominent, namely Value Added Tax and Customs Tax Exemptions as well as interest support for local and foreign currency denominated loans. Changes articulated on 5 April 2012 added more specific items such as social security premium support, income tax withholding allowance and income tax reduction. It should also be note that many of these support mechanisms vary according to enterprises that are located within the organized industrial zones as these enterprises received more favorable conditions (TEPAV, 2012; KPMG 2012). Furthermore, the sophistication of the economic incentive system enabled the launch of large scale projects initiated and co-funded by public and private actors.

In government-business collaboration for large infrastructure investments in terms of construction, repair and maintenance of buildings, bridges, roads and railways create significant business opportunities for contractors. In this regard, with the power of the current legislation regulating public tenders, it is possible for AKP decision makers to make favoritism for the businessmen participating in tenders. The Public Procurement Law which is in force since 2002 amended 21 times with 100 changes in terms to increase the power of decision makers to make exceptions and “favor certain businesspeople in the distribution of public contracts” (Buğra and Savaşkan, 2012: 35). The indirect impacts of these developments in the construction sector could be seen most recently in the report of Engineering News Record (ENR), a highly reputable international construction magazine. According to the report published in ENR’s August 2013 issue, Turkish construction companies occupied 5 seats in the first top 100 and 38 seats in the top 250 firms (Zaman, 2013). In the previous year’s report, there were only 33 companies, which had presence in the top 250. This success is doubtlessly indicative of the rise of the construction sector during the AKP era. While the Turkish economies grew at an average rate of 5 per cent during the 2002-2012 period, construction sector expanded by 9 per cent (GYODER, 2013; TMB, 2013). In this period, Turkish construction companies reached a historical record of activities beyond national borders and overall Turkish construction sector followed China in terms of the total volume of construction activities conducted globally. Furthermore, the buoyance of the construction sector should not be only seen as an international phenomenon. Domestically AKP era has witnessed also dynamism within the national borders. The major initiator of this dynamism entailed the increasing use of mortgage. For instance, while mortgage/GDP ratio was approximately 2.2 per cent and yielding a volume of \$0.6 billion in 2002, it rose to 6 per cent and a volume of \$44 billion in 2012 (GYODER, 2013; TMB, 2013).

## 5. Seeking for an Interlocutor

The case of the TÜSİAD as an interlocutor clearly shows that maintaining the economic momentum no longer resides only within the institutional boundaries of the national state. As a result, national parliaments, national political parties, and the personal networks surrounding national political figures no longer necessarily constitute the most significant interlocutors. In Turkey, the policy significance of these various institutional sites of representation has changed over time, especially with the gradual centralization of decision-making power with the government - in the Prime Minister’s or the top executive’s hands - to facilitate the process of neo-liberal transformation in the post-1980 period. These changes have compelled new actors, intent on pursuing their interests, a) to seek out new interlocutors capable of meeting their demands, or helping them to raise those demands before the multiplicity of decision-making centers; and b) to search for new mechanisms such as long-term partnerships with state and non-state actors, whose territorial foci are stretched across different spatial scales. The TÜSİAD has aimed at establishing its role as an interlocutor in the form of a multi-scalar actor for representing political interests for the sake of economic ones through the following mechanisms. In the case of Turkey, what is referred as a mobilized group is the cross-class alliance composed of metropolitan-based national bourgeoisie, rising Anatolian bourgeoisie and the political Islamist groups.

There is no doubt that the role of the TÜSİAD in this alliance was extremely central to the sustainability of the capitalist accumulation process, in other words it was a key “interlocutor” keeping the economy in equilibrium. As an interlocutor, the TÜSİAD in the post-election period found itself in a position to influence the conditions of capitalist accumulation, distribution and re-distribution in order to “re-secure” the economic climate that was conducive to growth since the 2000-2001 financial crises. In this regard, when we consider the three key elements portrayed above regarding the role of an interlocutor, we realize that the attempts of the TÜSİAD in the AKP period did neither necessarily reflect their commitment to the AKP, nor made a critical departure from its traditional ties with the Kemalist center, but definitely became an important force behind the changing and more stabilizing political life of Turkey. Similarly, the MÜSİAD, ASKON, TUSKON and the city/region-based SİADs are crucial elements for the sustainability of the state rescaling process suggested in this study. The economic development in Anatolia especially during the course of the 1990s made it clear that today it is impossible to understand the Turkish political economy without initially understanding the economically vibrant and dynamic cities of Anatolia. Especially cities such as Kayseri, Konya, Denizli and Gaziantep, are labeled as the leading Anatolian Tigers and this nicknaming indicates that the region in general has been experiencing economic development since the beginning of the 1990s, and this trend has been coupled with another tendency, namely increasing traditional values (Keyman and Koyuncu, 2005). Analyzing the foundation of the success stories of the Anatolian cities is beyond the scope of study, however, what is strikingly relevant is that the 2000-2001 economic crises caricatured before made it clear that the actors in the Anatolian region, and the corollaries of these actors in the metropolitan centers mobilized around the MÜSİAD favored the AKP for mostly economic reasons. In other words, the sound economic policies and a “crisis-free” period made it concrete that these actors have responded to political riddles by prioritizing their economic conditions and prospects.

At this point, it is implicitly argued that the TÜSİAD has been a strategic institution, which has invested tremendously to the stability achieved under the AKP government since 2002. Moreover, the TÜSİAD has been a strategic actor in mobilizing the interests of what Jessop defines as an ‘interlocutor’, an institution and/or agent to which mobilized groups look up to, because these agents possess an instrumental authority and (financial and/or organizational) capacity. In a similar vein, the TÜSİAD’s economic interests that are deeply vested into the system’s sustainability in political terms encompassed other actors, which were also part of the major coalition behind the AKP’s success. The MÜSİAD, ASKON, TUSKON and local and city-based SİADs in Anatolia were not only political carriers of the AKP, but also economic agents working at multiple scales ranging from the local, national, regional and to the global, and benefiting from the positive outlook of the Turkish economy by experiencing an export boom and a fast pace of industrialization process.

## 6. Concluding Observations

Both the entrepreneurs and the capitalists of the Anatolian region, as well as the middle classes in these cities that benefited in real terms from the policies of the AKP chose to support this political party. Moreover, not only for the middle classes, but also for the working poor and lower-middle classes and social groups, the AKP’s strong institutional efforts and mobilization in the local scale at the level of the municipalities, in the form of social municipalization and free distribution of food, coal and other basic needs, was a critical factor to garner further political capital. Paradoxically, the lower income groups which would support left-wing or center-left political parties under normal circumstances supported the AKP for these economic benefits. One of the key tenets of the transformation under AKP is the assertion that economic interests play a more substantial and defining role in the re-articulation of political affiliations and re-alignments in Turkish politics since the dawn of the new millennium. Those political affiliations and re-alignments have found existence through new spatializations, new hierarchizations and creating new repositionings by 2015 under the AKP government. In our study, we aimed to explain the spatial reshuffling of the traditional components of the Turkish center and periphery and the formation of the new political/economic alliances based on interest representation among businesspeople through the prism of economically defined dynamics of the Turkish polity, which formulate the basic underpinnings of the new model proposed. As such, these new political formations are bound to consolidate and re-establish themselves as long as favorable economic dynamics and the allocation of resources are sustained. Thus, the next hurdle the Turkish economy may face in the future might be a serious challenge that could reorient the existing balance and produce a new equilibrium through a new rescaling process and interaction of political agents with existing and new interlocutors under new economic dynamics ahead.

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