

Business as Usual?
Turkish Industrialists, the State and Democratization

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ABSTRACT

There is a debate on the exact relationship between capitalist development and democracy. Some maintain that there is a theoretical and empirical affinity between the two, while others have demonstrated that authoritarian regimes have been as able to accommodate capitalist development. A major part of this debate revolves around the economic elite's political preferences, which in some cases is perceived as championing democracy while in others, especially in cases of late-development, as supporting the rise of authoritarianism or, in the least, benefiting from the deficiencies of limited democracy. The shifting position of this elite therefore begs the following question: Is there an instance under capitalist development that makes democracy more appealing to the business classes?

To study this question, I have focused on the case of TÜSIAD (Turkish Industrialists' and Businessmen's Association), a voluntary association made up of several hundred members and founded by the owners of the largest Turkish corporations, that has in 1997 published a report on democratization in Turkey which promoted major changes to the Turkish state and its institutions. The topic is of relevance to the above debate by presenting a case where individuals that were previously perceived as benefiting from the deficiencies of Turkish democracy and/or were too shy politically were promoting major changes to political life.

In order to understand the process behind this break and the shifting political attitude of the association's members, I have conducted several expert interviews with key actors from TÜSIAD and the business community. I have also included a comparison between the case of TÜSIAD and the demands of associations in the similar cases of Argentina, Brazil, Chile and Mexico in order to further test the generalizability of my case study.

My research and the dissertation suggest that changes in the activities of Turkish industry, characterized by economic development and a greater international integration achieved primarily through the European Union, present a new structure of opportunities and constraints for TÜSIAD members. The factors that entrepreneurs perceive as being necessary for staying competitive and manage growingly complex enterprises not only make increased democracy more appealing but also create a tension between a segment of business, which is becoming increasingly formal, and a state that has traditionally depended on its informal ties with societies to strengthen its control.

However, my research reveals that these economic changes are not sufficient to constitute a radical break from the state. To understand the case of TÜSIAD it should be taken into account that this has been possible because of the economic elite's increasing autonomy (due partly on endogenous changes and the opportunities that internationalization offers) and relationship to the state. Turkish political tradition has enabled the state and governments to isolate themselves from business more than in other cases studied. In fact, states in my comparative cases have tended to grant greater access to business, except for various periods, and as such affected its propensity to mobilize politically. It is therefore the apparent indifference of the Turkish state towards the needs and power of industry that has affected the attitude and ideology of businesspeople, thus leading to a greater break than what the current literature would predict. In outlining this process, the current dissertation therefore contributes to academic debate by outlining the

manner in which a positive relationship between the needs of business classes and democracy develops, while maintaining that whether this will lead to a radical break is determined by state tradition.

RESUMÉ

Il existe un débat sur le lien exact entre le développement capitaliste et la démocratie. Certains maintiennent qu'il y a une affinité tant empirique que théorique entre les deux, alors que d'autre ont démontré que des régimes autoritaires ont su tout aussi accommoder le développement capitaliste. Une grande partie de ce débat tourne autour des préférences politique de l'élite économique qui est dans certains cas perçu comme prônant la démocratie alors que dans d'autre, surtout dans les cas de sociétés en voix de développement, comme soutenant la montée de régimes autoritaire ou, du moins, comme bénéficiant des déficiences de démocraties limitées. La position changeante de cette élite mène donc à la question suivante : Est-ce qu'il y a un moment dans sous le développement capitaliste qui rend la démocratisation plus attirante aux classes des affaires?

Pour étudier cette question je me suis penché sur le cas de TÜSIAD (L'Association d'industriels et d'hommes d'affaires turcs), une association volontaire de quelques centaines de membres fondée par les patrons des plus grands conglomérats turcs, qui en 1997 a publié un rapport sur la démocratisation en Turquie dans lequel elle revendiquait des changements majeurs dans l'État et ses institutions. Le sujet est d'intérêt pour le débat précédent car il présente un cas où des individus étant perçus comme bénéficiant des déficiences de la démocratie turque et/ou comme étant trop craintifs politiquement auparavant prônait des changements majeurs à la politique.

Pour comprendre les processus derrière cette rupture et le changement d'attitude politique des membres de cette association, j'ai donc fait des entrevues avec plusieurs acteurs essentiels de TÜSIAD et du monde des affaires. J'ai également inclus une comparaison entre le cas de TÜSIAD et les demandes d'autres associations d'affaires dans quatre cas similaires, soit l'Argentine, le Brésil, le Chili et le Mexique, pour pouvoir tester la validité de mon étude de cas.

Mes recherches et ma thèse suggèrent que des changements dans les activités de l'industrie turque, caractérisés par le développement économique et une plus grande intégration internationale, principalement à travers l'Union Européenne, présentent une nouvelle structure d'opportunités et de contraintes pour les membres de TÜSIAD. Les facteurs que les entrepreneurs perçoivent comme étant nécessaire pour être plus compétitifs et diriger des entreprises de plus en plus complexes non seulement rendent une démocratie accrue plus attirante mais créent aussi une tension entre une section du monde des affaires qui devient de plus en plus formel et un État qui traditionnellement a toujours dépendu de ses liens informels avec la société pour solidifier son contrôle. Cependant, ma recherche a révélé que ces changements économiques ne sont pas suffisants pour constituer une rupture fondamentale avec l'État. Pour comprendre le cas de TÜSIAD il faut aussi prendre en compte que cela a été possible grâce à l'autonomie accrue de l'élite économique (dû tant à son évolution interne qu'aux opportunités que son internationalisation représente) et sa relation à l'État. À cause de la tradition politique turque, l'État et les gouvernements turcs ont su s'isoler des demandes de l'élite économique plus que les autres États étudiés. En effet, l'État dans mes cas comparés a, sauf durant différentes périodes, donner un plus grand accès aux personnes d'affaire ainsi minimisant leur motivation à ce mobiliser politiquement. C'est l'indifférence apparente de l'État face aux besoins et au pouvoir accru de l'industrie qui a mené un changement

dans l'attitude et l'idéologie des gens d'affaires en Turquie créant ainsi une rupture plus grande que ce que la littérature actuelle prédirait. Ainsi, le présent mémoire contribue aux débats académiques en montrant de quelle manière un lien positif entre le besoin de la classe des affaires et la démocratie se développe, tout en soutenant que c'est la tradition de l'État qui détermine si cela mènerait à une rupture radicale.

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ABBREVIATIONS

ABM	<i>Asociacion de Banqueros de Mexico-</i> Mexican Bankers' Association
ANAP	<i>Anavatan Partisi-</i> Motherland Party
CAC	<i>Camara Argentina de Comercio-</i> Argentine Chamber of Commerce
CANACINTRA	<i>Camara Nacional de la Industria de Transformacion-</i> National Chamber of Manufacturing Industries
CCE	<i>Consejo Coordinador Empresarial-</i> Business Coordinating Council
CGE	<i>Confederacion General Economica Argentina-</i> Argentine General Economic Confederation
CHP	<i>Cumhuriyet Halk Partasi-</i> Republican People's Party
CNC	<i>Camara Nacional de Comercio-</i> National Chamber of Commerce
CNI	<i>Confederacao Nacional da Industria-</i> National Confederation of Industry
CONCAMIN	<i>Confederacion de Camaras Industriales-</i> Confederation of Industrial Chambers
COPARMEX	<i>Confederacion Patronal de la República Mexicana-</i> Employers Confederation of the Mexican Republic
CPC	<i>Confederacion de la Produccion y Comercio-</i> Confederation of Production and Commerce
CUP	Committee for Union and Progress
DP	<i>Demokrat Parti-</i> Democratic Party
DPT	<i>Devlet Planlama Teskilati-</i> State Planning Agency

EEC	European Economic Communittee
ELG	Export Led Growth
EU	European Union
FAA	<i>Federación Agraria Argentina-</i> Argentine Agrarian Federation
FDI	Foreign Direct Investment
FIESP	<i>Federacao das Industrias do Estado de Sao Paulo-</i> Federation of Industries of Sao Paolo
FTC	Foreign Trade Company
GDP	Gross Domestic Product
IEDI	<i>Instituto de Estudos para Desenvolvimento Industrial-</i> Institute for Industrial Development Studies
IKV	<i>Iktisadi Kalkinma Vakfi-</i> Economic Development Association
IMF	International Monetary Fund
IMKB	<i>Istabil Menkul Kiymetler Borsasi-</i> Istanbul Stock Exchange
ISI	Import Substitution Industrialization
ISO	<i>Istanbul Sanayi Odasi-</i> Istanbul Chamber of Industry
MÜSIAD	<i>Müstakil Sayaniceler ve Is Adamlari Dernegi-</i> Autonomous Industrialists' and Businessmen's Association
NAFTA	North American Free Trade Agreement
PDR	Perspectives on Democratization in Turkey Report
PNBE	<i>Pensamento Nacional das Bases Empresarias</i>
R&D	Research and Development
SEE	State Economic Enterprise

SNA	<i>Sociedad Nacional de Agricultura-</i> National Agrarian Society
SOFOFA	<i>Sociedad de Fomento Fabril-</i> Society for Industrial Development
SONAMI	<i>Sociedad Nacional de Minería-</i> National Mining Society
SRA	<i>Sociedad Rural Argentina-</i> Argentine Rural Corporation
TISK	<i>Türkiye İşverenler Sendikaları Konfederasyonu-</i> Turkish Confederation of Employers' Association
TOBB	<i>Türkiye Odalar ve Borsalar Birliği-</i> Turkish Union of Chambers and Commodity Exchanges
TÜSIAD	<i>Türk Sanayicileri ve İşadamları Derneği-</i> Turkish Industrialists' and Businessmen's Association
UIA	<i>Unión Industrial Argentina-</i> Argentine Industrial Union
UNICE	Union of Industrial and Employers' Confederations of Europe
YDH	<i>Yeni Demokrasi Hareketi-</i> New Democracy Movement

INTRODUCTION

In 1997 a group of prominent Turkish industrialists, organized around TÜSİAD (Turkish Industrialists' and Businessmen's Association), published a report proposing constitutional reforms to remedy the deficiencies of Turkish democracy. This was striking on at least two levels. First, the criticisms they brought to the state with their *Perspectives on Democratization in Turkey* report went beyond what any mainstream organization had done by tackling, to put it mildly, highly sensitive issues. The report pointed to key problems such as minority rights, the military's constitutional power and the fact that Kemalism was imposed as a restrictive ideology by various clauses of the constitution and laws regulating political life (TÜSİAD 1997j).

The second surprising feature was that these criticisms and proposal for radical reforms came from a very privileged group traditionally viewed as being conservative. TÜSİAD's member list is a virtual "who's who" guide of the country's top industrialists and corporation owners. Common sense would dictate that they could influence the decision making process, without increased democracy. Furthermore, in a context of late-industrialization where the state has been essential in handing out subsidies and protecting domestic industries, the members of TÜSİAD had benefited a great deal from maintaining close and privileged ties to the state. In fact, in her study of the Turkish private sector, Ayşe Buğra (1995) notes that most large corporations owe their existence, or in the least their first breaks, to state subsidies and contracts that they had managed to obtain through special connections. As such, if anything, the group was usually seen as benefiting from the deficiencies of the democratic system or, in the least, as having a stake in avoiding to openly challenge the state.

Two famous episodes in Turkey's political and business history had come to symbolize TÜSIAD and its members' political stance. The first occurred in the 1950s when the founder of the now largest corporation in Turkey, Vehbi Koç was forced by the Democratic Party (*Demokrat Parti*- DP) government to abandon his membership to the Republican People's Party (*Cumhuriyet Halk Partisi*- CHP). In his autobiography Koç emotionally stated that his heart was always with the CHP, but that as a businessman he had no other choice, as the survival of his company depended on maintaining close ties with the government (Koç 1973). The second episode occurred in 1979, amidst the debt crisis and violent civil unrest, when TÜSIAD published full-page advertisements in all the major newspapers criticizing the Ecevit government's inability to implement much needed economic reforms (TÜSIAD 1979). Many commentators still view this action as the factor that had precipitated the military coup of 1980 by forcing the Ecevit government to resign.

Consequently, large business in Turkey was really viewed as inevitably supporting authoritarian practices due to its quest for order. In parallel, the same community was also perceived as being too dependent on state resources to press for significant change. The publication of the *Democratization* report was therefore seen as a break from TÜSIAD and its members' past habits. Moreover, the activities of TÜSIAD and its members were not limited to this event. The report was but one of many in a series that the association published throughout the 1990s. Other reports tackled similar problems and ranged from *The Rule of Law and Judiciary* (TÜSIAD 1997c) to proposals for further reforms in the *Discussions on the Electoral System and the Two Round System* (TÜSIAD 1996a). In addition to these strictly political issues, TÜSIAD also tackled

social problems such as the education system and gender inequality in similar publications (TÜSIAD 1990a; TÜSIAD 1999b; TÜSIAD 2000a).

In conjuncture to the association's heightened political activity, some of its key members also made headlines by their actions outside TÜSIAD. Cem Boyner, a young industrial tycoon and former Chairman of TÜSIAD, joined active politics as one of the founders and the spokesman of the New Democracy Movement (*Yeni Demokrasi Hareketi*- YDH), which sought to appeal to members of the left-wing movements of the 1960s and proposed liberal democratic solutions to problems such as the Kurdish issue and restrictions on the freedoms of speech and conscience. Sakıp Sabancı, the head of the second largest family owned corporation and a founding member of TÜSIAD, proposed economic solutions to the Kurdish problem and published a study on the question despite facing threats from the state.

These and the content of the issues TÜSIAD covered even led Murat Belge, a left leaning editorialist, to comment that the “bourgeoisie was finally embracing the democratizing role it was meant to play.” This reference to the role the capitalist class has played in Western Europe's political and economic development juxtaposed with the traditional stance of TÜSIAD members raises a set of interesting issues for the fields of sociology, political science and even political economy.

The first issue has to do with the relationship between capitalist development and democracy. The fact that most developed industrial democracies witnessed the simultaneous rise of capitalism and democracy had led some scholars to posit a linear relationship between the two. Because capitalism needs such institutions as the protection of property as well as individual rights in order to thrive, it was believed that countries became increasingly democratic at higher stages of capitalist development, and

this often through a democratizing private sector¹. However, the fact that many nations witnessed the rise of some of their harshest authoritarian regimes, including Turkey with three military coups within twenty years, led other commentators to reconsider the relationship². Scholarship on the issue demonstrated not only that authoritarian regimes could be compatible with capitalism, but also that the capitalist classes supported their rise to further and consolidate business's position and exclude other groups from gaining political power. The fact that historically developed industrialized societies have been full democracies, while middle-income countries have been as likely to choose the path that leads to authoritarianism begs the following question: Are there specific circumstances under and inherent to capitalist development when democracy becomes appealing to the capitalist class?

The second interrelated issue the actions of TÜSIAD raise has to do with the behaviour of entrepreneurs under late-development. As was briefly described in the Turkish context, states have played an active role in industrialization. In some cases this has meant shielding the nascent domestic industry from the competition of more experienced industrial countries, while in others it went even further by creating domestic enterprises through state subsidies. As such, business in late-industrializing countries owes much of its existence to the state. This has created a situation of dependence, where the private sector is said to be lacking autonomy, entrepreneurship and a desire for change. From the narrow perspective of capitalist activity this means that the private sector has more often than not concentrated its resources to gaining favours from the state instead of concentrating on its ability to become competitive. From a broader perspective

¹ Marshall (1950)

² O'Donnell (1973), Evans (1979), Rueschemeyer, Stephens and Stephens (1992).

this implies that members of the business community have shied away from openly challenging the state and, in so doing, have not formed an autonomous political force.

When combined with the first issue and question about the link between capitalist development and democracy the situation of business illustrates an interesting tension. On the one hand, it has been strong and privileged enough to support and gain access to authoritarian or limited democratic regimes, on the other, however, it has been too weak to dictate its own ideological or political preferences. This raises a second question of interest to the field: When and how does entrepreneurs become strong or willing enough to press for change and break their ties to the state?

Given TÜSIAD members' traditional position in society, the stance the association and its members have taken in the 1990s creates a unique opportunity to tackle these two questions of significant importance to the social sciences. I seek to answer them in this dissertation by examining why and how TÜSIAD's attitude has changed.

To do so, the dissertation examines the evolution of TÜSIAD member's needs, their perception of the state and democracy and the role the association has played in bringing these to the fore. It could be argued, however, that several external factors may have precipitated the role embraced by TÜSIAD by radically shifting its members' political and economic situation. From the early 1980s Turkey implemented the gradual liberalization of its economy. This meant that domestic industry was increasingly forced to compete with the rest of the world and become more and more international. In conjuncture, Turkey intensified its commercial and political ties with the European Union, which continuously stresses the need for democratic reforms as a precondition to join the Union.

TÜSIAD's response to these external pressures has been to embrace and promote them actively instead of resisting them by lobbying the state for protection. As such, even the association's stance in the face of such imposed changes has been more active than would traditionally be expected³. Consequently, I treat these as a set of opportunities and constraints that have worked in conjuncture with the evolution of Turkish business. And in so doing, I still assess why the latter is now willing to embrace change. By using the above approach and logic, the thesis hopefully manages to answer the narrow question of why TÜSIAD did what it did, and contribute to the broader question of when and how, under capitalist development, can the business elite become a democratizing force.

To answer the questions raised in the current introduction, I have chosen a more analytical, rather than chronological, approach to structure the dissertation. In other words, I have decided to organize the chapters around central themes that are presented, either explicitly or implicitly, as being important to grasp business's stance towards democratization by the literature. This structure presents the advantage of discussing the relative merits of key variables put forth by the literature, as presented in the following theoretical chapter.

As will be reviewed, business' willingness to embrace change and its relative political weakness/strength were all underlying themes in most of the previous studies. However, the literature views these variables as being determined mainly by two different factors. The first one is economic and looks at the needs of the private sector and how they evolve to determine business' interests. The second, however, is more political and

³ This is attested to by some of TÜSIAD reports that emphasize the reforms necessary for EU membership (TÜSIAD 1998a; TÜSIAD 1999a) as well as those that promote the increased competitiveness of some key sectors (TÜSIAD 1997f; TÜSIAD 1997g; TÜSIAD 1998c; TÜSIAD 2000b; TÜSIAD 2000c).

looks at the structure of the state and its relationship to business as leading to, or hindering, the emergence of a group willing to embrace change.

Both traditions and how they apply to the case of TÜSIAD constitute my two main substantive chapters (chapters 4 and 5). However, before starting these more substantive discussions I have decided to put them into context by presenting two background chapters on the broad case of Turkey and on the narrower situation of business and TÜSIAD. Therefore, the first background chapter (chapter 2) presents the deficiencies of Turkish democracy and how liberal economic reforms have affected it during the 1980s and 1990s. These two elements are then linked to the broader historical discussions on the nature of state-society relations and its legacies. Once the framework to understanding the nature of state-society relations is developed, the manner in which this has affected the Turkish private sector will be dealt with in the same chapter. In doing so, the chapter is able to describe Turkish business's structure, approach to change and relationship to the state. This framework will be used in the more substantive chapters to argue that the Turkish state tradition continues to affect TÜSIAD.

The second background chapter (chapter 3) seeks to describe TÜSIAD more closely on several levels. First, it looks at the association's establishment in 1971 and explains some of the reasons behind it. It then looks at the type of interests that are present within TÜSIAD and whether they have changed over the years. Third, the chapter describes TÜSIAD's organizational structure to avoid lengthy repetitions in subsequent chapters. Fourth, and perhaps most significantly, it outlines the content and nature of the *Perspectives on Democratization in Turkey* report as well as other similar activities the association has been involved in during the 1990s to better understand and contrast them in relation to earlier periods. Finally, the chapter seeks to establish the

difference between TÜSIAD and other business organizations in Turkey in terms of their functions, demands and interests they represent.

Once the necessary background to grasp the case of TÜSIAD is provided, the dissertation turns to more substantive discussions. The first such chapter (chapter 4), as mentioned previously, looks at the economic factors behind TÜSIAD's demands for increased democracy. In order to do so, it looks at how the interests of TÜSIAD members and the establishments they control have changed over the years. To do so, the thesis concentrates on the impact of growing international trade, the changing economic environment as well as the type of activity TÜSIAD member firms have engaged in. In doing so, the chapter will be able to assess the validity of explanations that focus on the economic needs of business to explain their political preferences. The chapter illustrates that TÜSIAD members do perceive an instrumentalist relationship between their evolving needs and the demands of the association.

The second substantive chapter (chapter 5) shifts attention in order to examine more closely how TÜSIAD members' relations to the state have changed. To do so, it focuses on the nature of state intervention in Turkey and how TÜSIAD members perceive it. More specifically, the chapter argues that it is business's relative exclusion from the state and its inability to affect the decision making process that has pushed it to press for more radical change, in the face of economic shifts. The chapter also argues that exclusion from the state has led TÜSIAD to mobilize and act more like a political organization rather than an interest group, thus giving greater legitimacy to more pro-democratic members within the association and solving collective action problems potentially witnessed by associations representing diverse economic interests. When combined to the preceding chapter, the thesis argues that while economic changes are a

necessary condition for the emergence of a pro-democratic business class, the nature of the state and business's level of inclusion are key determinants of its political mobilization.

Finally, the last chapter (chapter 6) tests the generalizability of my arguments from a more comparative perspective by examining the cases of Argentina, Brazil, Chile and Mexico on similar levels. The discussion of the cases, relying on macroeconomic indicators, evidence collected on the activities of endogenous business associations and a review of the literature reveals indeed that the level of inclusion the state is willing to extend to business is a good predictor of the latter's political mobilization. The demands of associations were narrower and more instrumentalist in cases where business was included in the decision making process, while the level of mobilization and broad political demands emerged during periods when business was excluded from the decision making process.

These discussions contribute to the broader literature by demonstrating that there can be conditions under capitalist development that make democracy more appealing, but that the role of the state is key in understanding the level of business's mobilization. The next chapter will offer a review of the literature in order to situate these findings and discuss why the thesis has paid close attention to these two broad variables.

CHAPTER I: LITERATURE REVIEW AND METHODOLOGY

I.1. Overview

As was observed in the introduction, while capitalism and democracy have been usually noted as going hand-in-hand in the case of advanced industrial nations, it has been perceived as rare for business to press for meaningful political change and democratization in cases of late-industrialization. The case of TÜSIAD therefore enables me to engage the broader literature on the determinants of business' attitude and on the link between capitalism and democratization by answering the question: under which conditions, in late-industrialization, does business press for democratization and state reform?

In order to put the case of TÜSIAD and Turkey in comparative perspective, it is therefore useful to review the existing literature on business' attitude towards the state, political change and democratization. The exercise is lengthy, but useful, because there has been a breadth of knowledge provided by a smorgasbord of studies. However, these have been concerned with different questions and, as such, it becomes important to tease out their commonalities for the current dissertation. Three very broad areas that can help shed some light on the determinants of business's political preferences exist.

One major tradition has been to look at the compatibility between capitalism and the institutions normally associated with democracy. Within this tradition one important endeavour has been to look at class conflict, or relations of power within societies, to

determine the regime preferences of capital and its impact on political development⁴. Parallel studies have also further discussed the theoretical link between capitalism and democracy, while others have solely focused on the empirical correlation between institutions associated with the two⁵. Another perspective has been to look beyond economic or class based explanations to focus on the sequence of events necessary for the emergence (or conversely the lack thereof) of liberal democracy⁶. Finally, more recent studies have been concerned with issues more pertinent to the current dissertation by looking at the nature of state-business relations. Within these traditions, however, very few have directly looked at the political preferences of business⁷, while most have looked at the impact of state-business relations on policy effectiveness and economic performance⁸. As such, insights about the factors that motivate business' political aspirations, as well as the relationship between capitalism and democracy are numerous but address different questions. My review of the literature therefore teases out of this body of knowledge the common variables that are presented as affecting business' political preferences and its desire for change; overall I have observed that the common themes are: the relative power and autonomy of business, the impact and needs that capitalist development creates and state traditions.

⁴ For classic work on how the relative power of classes affect political development see Anderson (1979), Moore (1967), O'Donnell (1979), Rueschemeyer, Stephens and Stephens (1992).

⁵ For the former see Diamond and Plattner (1993), Hirschman (1970), Lipset (1960), Przeworski (1990), Schumpeter (1942), and for the latter Alderson and Nielsen (1999), Bollen (1979), Cutright (1963), Cutright and Wiley (1969), Lipset (1981), Mainwaring and Perez-Linan (2003) and Muller (1995).

⁶ These studies build on Moore's (Ibid.) analysis of the rise of capitalism to discuss the preconditions for the rise of liberal democracy within the framework of the rise of nation-states. For this approach see Hall (1985), Mann (1986), Mann (1990), Senghaas (1985) and Skocpol (1979).

⁷ Some notable exceptions exist, see for example Bartell and Payne (1995), Conaghan (1998), Durand and Silva (1998), Schneider (1997 and 2002) and Silva (1992 and 1996).

⁸ Earlier studies had focused particularly at the state's ability to curb rent-seeking activity by insulating its officials Johnson (1982), newer work has tended to emphasize the quality of state-business relations as affecting developmental outcomes and policy success, see Evans (1995 and 1997), Evans, Frischtak and Tigre (1992), Gomez (2002), Maxfield and Schneider (1997) and Silva (1993 and 1996).

Competing explanations about business's desire and ability to press for (or resist) change have relied on varying observations about the level and importance of these three factors. However, the existence of competing explanations and diverse research questions has created some confusion in the field. As observed by Bartell (1995), business is sometimes represented as too weak to press for change and yet at others strong enough to oppose it, in some cases business is seen as promoting democracy because it is in its interest and yet at others it is assumed that it will oppose the extension of democracy because capital's weakness makes it feel threatened by rival interests (Bartell and Payne 1995; Kingstone 1999). In other words, the study of various cases and assumptions about both the structural weakness or strength of business have been used to come up with very different accounts of its regime loyalties and political activities. To present and sort the common themes in these competing explanations and assumptions in a clear manner, I have therefore decided to adopt a chronological presentation of the material. In other words, rather than doing a taxonomy of the different theories, I have chosen to describe the earlier case of Western European development, and theories associated it with it, first and only thereafter move to the review of theories on business under late-development. This has the advantage of illustrating how both the actual attitude of business and theorizing about it have evolved from case to case and period to period. In doing so it presents the advantage of distinguishing between the types of cases and questions varying theories have emerged from.

My presentation of the literature therefore starts with the case of Western European development and the theorizing that considers capitalism and the private sector as contributing positively to democracy. It then moves to exceptions that some authors have taken with these arguments, solely based on their own observation of the Western

European case, to argue that neither capitalism nor the interests of capitalists were necessarily compatible with democracy.

I then turn to the case of late-developing societies to argue that much of the theorizing has been closer to the latter approach, where business is perceived as too weak to press for meaningful change, let alone democratization. The arguments I present, view this as being primarily due to the level and nature of state intervention late-development requires, the international and domestic contexts in which this takes place, and their impact on business. I further demonstrate, by looking at the literature on the rise of so-called bureaucratic authoritarian regimes, that late-development is not only perceived as affecting business, but has even made it prone to favour authoritarianism I conclude this line of investigation by demonstrating that late-development, and state intervention, have not only affected the regime preferences of the business class but have also raised questions about this groups' ability to embrace change and role as entrepreneurs.

I finally complete the literature review by examining three new areas of investigation that are essential in grasping the changing nature of late-developing societies and the role traditionally assigned to business. The first line of investigation focuses on the exact position businesspeople have played in the collapse of authoritarian regimes and the (re)emergence of democratic institutions across many countries in the world. The debates surrounding this episode help shed some light on if and how the political preferences of business can change.

The second scholarly tradition that I review is on the impact that economic liberalization has had on these nascent democracies and their business class. By examining discussions surrounding the compatibility of economic reforms with democracy and their impact on business, I am able to assess how certain recent conditions

faced by business can change their regime preferences. Finally, I conclude the literature review by looking at scholars who have specifically studied state-business relations and the forms that these can take. I find this literature useful in that it gives more specificity to the discussions and is also able to shed some additional light on the factors that guide business' behaviour.

After the review is complete, the chapter outlines the three main factors that emerge out of the literature, namely the structural power of business, its economic needs and the state tradition it operates under. Once this is achieved, I present the design of my own study and propose that the historical comparative method based on interview data is appropriate to discuss the relative merits of these three factors.

I.2. Capitalism, democracy and the preferences of business

I.2.1. The ideal-typical case of Western Europe: The rise of capitalism and democracy

As noted in the introduction, scholarship investigating the link between capitalism and democracy has done so from different perspectives. Studies on the case of Western Europe are no exception. For the sake of clarity, I have decided to present arguments about the emergence of capitalism and democracy in Western Europe by distinguishing between those who give primacy to economic factors as breeding change from those that focus on political institutions and the state as determining economic outcomes.

In general, authors reviewing the Western European case have tended to find a positive relationship between democracy and capitalism. This is also generally supported by the bulk of empirical evidence, which demonstrates that all full democracies have

some form of capitalist economic system (Rueschemeyer, Huber and Stephens 1992). Hence, if capitalism breeds democracy, and vice versa, studies have assumed that the business class would either champion democracy, or in the least, not demonstrate a considerable opposition to its rise. This observation is mainly based on theorizing that stems from the case of Britain that was the first society to witness the industrial revolution and the rise of industrial capitalism. Whatever the preferred causal relationship, it is established that capitalism in England was associated to the commercialization of agriculture and the transformation from gentry to the rise of a strong business class, or so-called “bourgeoisie”(Moore 1967).

Marshall (1950) presents a linear explanation of why these developments brought about meaningful political change. The rise of capitalism was accompanied, in the first instance, by the extension of civil rights across society, and, in the second instance, of political rights to a wider segment of the propertied class (Opcit.). Civil rights are necessary because they give individuals the freedom to trade, engage in contractual relations and own private property. In more general terms, rights bring individual interests to the forefront of economic transactions, eliminating the limits to trade and production imposed by local or traditional loyalties and constraints.

The rise of political rights, according to Marshall, further tamed the class conflict emerging between business interests and the members of the *ancien regime*, who had a vested interest in maintaining feudal relationships, by incorporating it within the state⁹. Once political rights were established popular groups took advantage of this opportunity

⁹ Polanyi (1957), albeit from a different perspective, traces the political struggle between capitalist and feudal interests over the legal institutional changes that brought about the commodification of land, labour and capital.

in order to gain political recognition and in so doing managed to secure social rights under the new democratic system, as the third and final phase of political modernization under capitalism (Opcit).

The developments linking capitalist interests to the emergence of democracy are also noted by the Marxist perspective. While true universal democracy, according to Marx, would be achieved by the proletariat, he nonetheless noted and attributed a democratizing role to the bourgeoisie who stood to benefit from greater political representation and institutions, such as property rights and free labour, which permitted capitalist accumulation (Marx and Engels 1968; Marx and Engels 1978; Rueschemeyer, Huber and Stephens 1992). In a similar manner Moore (1967), therefore, observed that liberal democracy emerged only in places where bourgeois, or capitalist, interest was strong enough to press for meaningful change as was the case in England and France.

Hirschman (1977) further contributes to this argument by noting that this movement had the advantage of emerging in an ideological backdrop, which was favourable to imposing limits on the powers of absolutist states. The emergence of what was perceived as self-regulating markets combined with the *Enlightenment's* attempt to explain even social phenomena with immutable natural laws, led commentators of the 18th and 19th century to perceive state intervention as unnatural. Within this framework the rapid expansion of markets and commercial classes occurred in an ideological climate favourable to civil rights and opposed to the *ancien regime* and absolute power of the state. The above arguments therefore suggest that democracy, or rights associated with it, emerged after economic change, as capitalist interest stood to gain from its establishment.

Authors focusing on socio-political changes as the precursors of meaningful economic change have also demonstrated the same affinity, albeit through the opposite

causal mechanism. Max Weber (1954; 1966; 1976; 1978; 1981 and 1964), while acknowledging the importance of private property and profit motivation as essentials components of capitalist development, like Marshall or the Marxist approach, further recognizes that rights, the rule of law and the disintegration of traditional loyalties were necessary for profit motivated individuals to engage in capitalist enterprise.

However, from a Weberian perspective, these are not products of capitalism but its preconditions. They are needed for the emergence of a predictable environment, where agents can make rational choices including investment decisions based on calculable profits. According to Collins' (1980) analysis of the Weberian perspective, it is not one factor but the juxtaposition of several historical legacies that helped shape the political landscape of Western European capitalism. A universal definition of citizenship, which promoted long-distance trade by replacing the distinction between the in-group and out-group and which shielded individuals and their property from arbitrary state intervention, were the legacies of merchant cities, religion¹⁰ and bureaucratic states able to enforce the rule of law. Hence, the institutions associated with liberal democracy are not the product of, but do originally contribute to the rise of capitalist activity and development.

A similar perspective is adopted by Mann (1992) and Hall (1986) to illustrate that it was the particular structure of the European state that lead to the emergence of both capitalist activity and institutions associated with democracy. Hall demonstrates that

¹⁰ In his account of Weber's analysis, Collins (Ibid. and 1986) does not limit himself to the importance of the Protestant ethic. He argues that Europe's Judeo-Christian tradition led to an expansion of trade because it created trust and eliminated the distinction between in-group and out-group through the legalistic aspect of Judaism combined with the universalism of Christianity. Protestantism, he argues, was mostly important in helping establish the rational economic enterprise. Furthermore, in his preface to Poggi's *Calvinism and the Capitalist Spirit*, Mann notes that Protestantism gave the ideological legitimacy needed for the expansion of already burgeoning capitalist enterprise (Mann 1983).

geopolitical competition across Western Europe increased the reliance of states on the loyalty of their subjects and tax revenue to sustain armies. However, the political structure of Feudalism, which permitted competition over the allegiance of groups and territories, made the use of arbitrary power to collect taxes difficult.

In order to secure loyalty and taxes, states were constrained in the use of arbitrary practices and had to channel part of the revenue towards services such as infrastructure. The abuse of power would have potentially led society to shift its support away from the state and commercial activity to take root in neighbouring countries. The inability of Western European states to use such powers therefore led to the rise of a mutually beneficial relationship in which commercial activity flourished and further increased the revenue base that states could tap into.

Within a similar framework, Mann notes that the inability of states to use despotic power and interfere with productive activity led to increased “privacy” in production long before the actual establishment of private property laws. This gave an increased incentive to intensify the use of technology in agriculture and create a surplus for trade, which was conducive to the emergence of capitalism.

The above discussion illustrates that liberties associated with democracy can be beneficial to capitalism. From an economy centric perspective this means that capital and groups who stand to gain from increased capitalist activity will press for these rights or in the least will not oppose them. From a more political or state centric perspective, the Western European experience suggests that capitalism will flourish if certain rights are already in place. However, a re-examination of both the Western European Experience and other cases suggests that the relationship is not as clear.

I.2.2. Revisiting the case of Western Europe: Incorporating capitalism through authoritarianism.

Hirschman, which was noted above as showing that capitalism flourished in an ideological environment constraining arbitrary state intervention, was not intending to draw a further link between capitalism and democracy. On the contrary, the whole purpose of his aptly titled *Arguments for Capitalism before its Rise* was to demonstrate that the two could be as easily dissociated. By demonstrating that these ideologies preceded the actual rise of markets, Hirschman in essence argues that they are not necessarily inherent or essential to capitalism (Hirschman 1979). He even uses this framework to demonstrate in later work that claims about a self-regulating market were as easily used by authoritarian regimes to argue for repressive measure against popular demands.

More economy centric arguments have therefore gone beyond the notion that capitalism need not go hand in hand with democratic values to actually demonstrate that there are inherent tensions between the two. One such contradiction has been outlined by Przeworski (1995) by asserting that while an agent's ability to influence the market is determined by the amount of resources he/she controls, the ability to affect democratic outcomes is only based on one equal vote. Consequently, there is, in the least, an analytical contradiction between democratic institutions and the disproportionate power some wield under capitalism.

A similar point of view, directly related to the structural power of the business class, lies on the observation that those who control capital have a greater ability to affect policy than groups who do not. States interested in achieving employment and growth have a stake in promoting investment. Therefore the ability of capital for (dis)investment

or, in the case of full capital mobility, the possibility of capital flight are two factors that present themselves as constraining the policy choices available to states and governments. According to this view, capital has on the one hand a greater capacity to affect the decision making process, and on the other it does not need democratic channels of representation to affect the state (Hirschman 1970; Lindblom 1977; Przeworski and Wallerstein, 1988).

This perspective has been expanded on by Rueschemeyer et.al. (1992) to illustrate that theories which associate a democratizing role to business are essentially misguided. While they do recognize, like Moore, the fact that democracy has no chance of emerging under traditional economic arrangements and that it has an affinity with capitalism, they believe that this emerges not because of but despite of the bourgeoisie. In a society characterized by power struggles between social and economic classes, the economic elite will have no interest in extending rights to popular groups likely to challenge and threaten their control over the state.

Rueschemeyer et.al. illustrate that historically the bourgeoisie has been interested only in acquiring limited rights and representation needed to promote capitalist interest, but that it has felt threatened by the extension of these rights to groups such as the working-class. As such, the perspective put forth by Marshall is only correct to the extent that business will be interested in limited rights. Within this framework, capitalist development leads to full democracy not because of capitalist interest but by creating working and middle classes, which have an increasing stake in democratic representation¹¹.

¹¹ While beyond the scope of this review another tradition has linked debates about Western European democracy and its stability to industrial relations. Some have focused on the role class compromise and a

The view that the relationship between capitalism and democracy is not as direct as the theorizing about the ideal-typical case of England is also shared by studies that give primacy to political factors. However, as will be commented below they do lead to very different implications than the framework proposed by previous views.

According to Mann (1987), Marshall's notion that the rise of capitalism must gradually and linearly lead to the rise of liberal democracy is a very "Anglo centric" and limited view. This observation is partly based on Mann's use of the Weberian tradition. To remember, the Weberian perspective linked capitalism to the rise of production and trade for profit and was interested in the institutions that made such behaviour possible. Capitalist behaviour emerges when there are calculable laws and a bureaucratic state able to enforce them and provide services. Within this framework such a state precedes the emergence of capitalism and can therefore have goals independent from capitalist interest.

tripartite accord between the state, labour and business to explain the lack of class struggle and opposition to democracy, see for example: Schmitter (1983), Schmitter (1992), Skocpol and Amenta (1986) and Wright (2000). Others, however, have focused on business's ability to create a dependent working-class through the labour process and control over production to explain worker's inability to become a significant political force, for example Braverman (1974) and Marglin (1976) assert that technological changes under capitalism have been implemented to deskill workers and give capitalists control over production, Mann (1973) further demonstrates that although conditions for radical labour movements exist that industrialism has created a system of interdependency that has made it difficult to raise class consciousness. Some studies however have refuted these claims by demonstrating that changes under capitalism are not due to the deliberate attempt of the capitalist class to control workers, but more so the natural extension of industrialism, see for example Attewell (1987) and Landes (1986) for critiques of Braverman and Marglin respectively. Some authors have further opposed the negative view presented by these studies to emphasize that neither control over production nor the lack of a militant working class can be explained through class struggle entirely. Goldthorpe (1968 and 1969) has demonstrated that workers in advanced industrial countries are more concerned with material well being than they are with control over production. Blackburn and Mann (1979) have adopted an approach in between the two by demonstrating that capitalist production does indeed restrict the life chances of workers, but that these are still satisfied because they derive an actual level of satisfaction from the perceived diversity jobs offered by capitalism. Furthermore, Przeworski (1985) has demonstrated that where democracy emerged the working-class preferred to join electoral politics through more centrist social democratic parties to guarantee redistributive policies rather than press for radical change through socialist movements. This has had the benefit of pushing labour friendly policies whilst curbing the potential for labour militancy.

And as such, these goals can reflect the ideology and concerns of the old ruling classes whilst still being able to create an environment favourable to commercial activity¹².

Mann therefore believes that the set of citizenship and political rights Marshall discusses should be traced back to British and American constitutionalism and not the rise of capitalism. Similarly states with different traditions and strategies of incorporation can end up with practices conducive to capitalist activity without the emergence of these rights. Moore (1967) had already noted that absolutist states, like Germany and Japan, can go through state sponsored modernization without adopting liberal democracy. In doing so, he shows exactly how the juxtaposition of capitalism and the *ancien regime* worked in practice.

In both cases of Japan and Germany the persistence of what can be termed the "warrior classes" has often led to the creation of highly militaristic states. Although it lost some of its ideological autonomy, business greatly benefited from militarism that fuelled demand for goods in strategic industries, such as steel, shipbuilding and weapons. Furthermore, standing armies, through uniformity, can also be seen as the first source of demand for mass-produced standardized goods (Senghaas 1985).

Mann (1987) goes further to describe how the arrangement between capitalist and the ruling elite really lies on existing state traditions. Before the emergence of capitalism absolutist states had been dependent on their despotic power in order to impose arbitrary state decisions. More precisely, the lack of infrastructure to exercise power over large segments of society led these states to periodically rely on the coercive capacity of local groups in order to control society.

¹² This line of reasoning is further supported by Poulantzas's (1971) classic study, which demonstrates that the dominant ideology can be influenced by various groups in society without necessarily being directly influenced by the interests of the dominant economic class.

Within this state tradition, the emergence of capitalist interest did not lead to the rise of liberal democracy. For one thing, the ruling elite was not threatened by the emergence of capitalism, the latter was perceived as an opportunity to increase the revenue and infrastructural power of the state. For another, the state was able to accommodate capitalist interest, enforce the rule of law and extend citizenship by relying on its previous absolutist tradition. In so doing, the state could selectively repress or incorporate various interests, without having to extend broader civil rights and without threatening the traditional ruling elite (Mann, *Ibid.*). Business benefited from stability, the rule of law, albeit applied selectively, and state violence, which continued to repress radical labour movements. At the same time, however, it lost its ideological and political autonomy. Business adopted the dominant state ideologies, such as militarism, and never constituted the democratizing role attributed to the bourgeoisie (Moore, 1967). The emergence of states capable of promoting capitalism can, therefore, occur in the absence of the liberal ideologies associated with British industrialization.

The discussion of the narrow Western European case already has given some capacity to map the field onto several different levels. First, there are two different approaches to studying the causal link between capitalism and democracy. One looks at economic change (capitalist development) as determining political outcomes (democratization). Within this approach two possible roles are assigned to business. Business can in some instances press for political change associated with liberal democracy to further its own goals. However, the structural power that this group enjoys is also presented as a direct or indirect obstacle to the emergence of full democracy. Business has on the one hand no interest in extending rights to other groups and on the other it has a disproportionate amount of power to affect market and political outcomes.

So, capitalist interest is seen as leading to democracy in some instances, while it is seen as hindering it in others. The second causal link sees political change and state traditions as contributing to the emergence of capitalism. Within this framework business is seen as benefiting from certain constraints placed on arbitrary state power because it is conducive to further capitalist activity.

A similar approach has also determined that previous state traditions seriously constrain the type of state-society relations business has to operate under and has further demonstrated that capitalism can flourish under different regimes. This brings up the second level where there are differences in the approaches to business. Members of the capitalist group are portrayed sometimes as strong enough to actively promote socio-political outcomes to their advantage, while in others they are presented as accepting the legacies of previous state traditions and the preferences of the ruling elite.

The same differences also exist in scholarship on the condition of business in the case of late-industrializing countries. For various factors, however, the ability of business to affect political outcomes and become a democratizing force is often presented as being even more problematic than the ideal-typical case of Western Europe. This can largely be linked to the nature of underdevelopment, but most importantly the prominent role played by the state in promoting capitalist development. In the next section I will outline what this means and exactly entails.

1.2.3. Late-Development, state intervention and traditional means of incorporation

In the review of Mann's critique of Marshall it was already noted that Britain was the exception to the rule in the timing of the rise of capitalism and democracy. England's

constitutional past enabled capitalism and democracy to thrive and rise together. The other factor that makes it unique is the fact that it was the first nation to take the path that leads to capitalist development. Subsequent nations attempting to industrialize, even those in Western Europe, by definition become "late-developers"; once a competing nation has developed -Great Britain- the immediate task at hand becomes to catch up (Gerschenkron 1962).

As a result, while capitalist development in Britain is predominantly influenced by an endogenous drive towards industrialization, exogenous factors form an additional impetus in the case of other nations. This situation has presented advantages and disadvantages to various nations in their goal towards development, both of which have led to the particular nature of the state and a more complex situation for business as a political or democratizing force.

Late development presents advantages because once a nation has developed successfully, subsequent nations attempting to do so have a "blue print" of development to apply and can therefore, according to Gerschenkron, jump stages without following the same path that previous developers had to go through. Late development presents disadvantages, however, because industrialization has to be promoted in an environment that was not necessarily conducive to change in the first place (Landes 1969; Rostow 1960). First, resources to be invested in industry and infrastructure may not be readily available. Second, class and state structures can still be characterized by the legacies of earlier periods (Bardhan 1984; Moore 1967). Third, the state can still be dominated by the traditional ruling elite and previous practices, such as clientelism, populism and absolutism (Mouzelis 1986; Mann, 1987).

The combination of one or more of these conditions has for different reasons been

used to explain the reluctance or inability of the business class to affect political change and/or press for democratization. In the least, states must take on an active role to promote industrialization¹³, and in some cases these factors have even been used to illustrate that members of capital will favour and stand to benefit from the rise of authoritarian regimes.

If simplified these explanations, like theorizing on the Western European case, can either be described mainly as being economic or political centric. I believe that both sets of explanations should be combined to understand the opportunities and constraints faced by business under late-development. Furthermore, the central factor in both sets of explanations often stays the same: that states are important in carrying out the development project.

Economy centric explanations about the reluctance of business to press for political change essentially revolve around the social and economic structure of late-development as well as the requirements of capitalist development. The first set of explanations, which brings in the existence of strong landed interest, is not adequate to understand the case of Turkey, but is still worth mentioning to understand other perspectives. Societies in which there was no drive towards capitalist development in the first place are typically characterized by strong traditional landed elite¹⁴. This hinders the emergence of democracy because this sector gains to benefit from labour repressive

¹³ For detailed studies of how state intervention contributes to development see Amsden (1989); Johnson (1982); Rostow (1960) and Wade (1990).

¹⁴ According to Keyder (1987, 1990 and 1995) land tenure in the Ottoman Empire was based on small farming and the state often suppressed strong landed interest as it was perceived as a threat to its power. Consequently, Turkey never had a considerably strong landed elite and therefore has not witnessed opposition to democracy from agricultural classes. For further studies on Ottoman land tenure and how it affected society see Inalcik (1985 and 1996), Inalcik and Quataert (1994), Islamoğlu-Inan (1994), Faroqhi (1995), Karpas (2002), Sahillioğlu (1999) and Timur (1989).

measures and is prone to be closer to traditional ideologies¹⁵.

Hence, Moore (1967) as well as Rueschemeyer et.al (1992), which have applied Moore's assertion to a wider range of cases, have demonstrated that a strong landed elite is more often than not an obstacle to democratization irrespective of other groups' power. This situation takes time to change, even after periods of capitalist development. States have had to incorporate the interests of traditional groups, as was demonstrated by Mann and Moore in the previous section, and the emerging industrial elite was not able or willing to oppose it. Under late-development, industrial capital is by definition either too insignificant of a force or has direct organic ties to the landed elite, which is one of the only sources of capital.

The second set of explanations based on economic and social structure is more useful to the Turkish case. Characteristics of late-development, such as narrow demand and the lack of capital for investment, on the one hand limit the number of individuals who can venture in capitalist enterprise and on the other necessitate the involvement of the state. Industrialization has been promoted by the state through direct and indirect means taking the shape of state ventures, subsidies to industries, and in more general terms a set of policies that have been characterized as import substitution industrialization (ISI) aimed at shielding infant industries from foreign competition. The lack of resources in society meant that either the state or a very small section was able to benefit from these policies¹⁶.

The implications of this for state-business relations are threefold. First, a small

¹⁵ For a good study of how the presence of a strong landed elite constrains industrialization and the quality of democracy see Bardhan's (1984) investigation of Indian democracy.

¹⁶ The size and dependence of domestic capital has also been explained by late-developing country's dependence to developed nations. For these interpretations see Cardoso and Faletto (1979), Evans (1979) and Chase-Dunn (1989).

capitalist class is dependent on the state and hence unable to oppose the ruling elite. Second, the active role played by the state often meant that the source of entrepreneurship in society was the public and not the private sector. This, as will be seen further down has important consequences. Suffice it to note, however, that it was a situation that the private sector did not oppose because of its dependence on the state. Third, the concentration of resources and state aid in the hands of a few combined with a demand that is too narrow to sustain a large industrial sector, led to the creation of a small industrial class vital to capitalist development. Consequently, what can be observed is the emergence of a few members of the business community, who are strong enough to benefit from some of the state's policies yet too weak to act on their own or press for changes to state-society relations.

Nonetheless, studies closer to the modernization theory perspective have postulated that while the situation may be so during earlier stages, development over several years can lead to the emergence of democracy through a number of mechanisms. The country will in the long-run "take off", to use Rostow's term, and state intervention will lose some of its importance (Rostow, 1961). Consequently, the dependence of the capitalist class, as well as its concentration, will gradually decrease with the emergence of entrepreneurship. Furthermore, increased wealth will create new groups interested in participating in politics and will give them the means to do so, such as more accessible education and resources (Lipset 1981).

However, the relationship is not as linear. Many nations have witnessed the (re)emergence of authoritarian regimes at higher stages of development and often after periods of democratic rule. Focusing on factors inherent to capitalist development and import substitution industrialization Evans and O'Donnell have illustrated how and why

so-called bureaucratic authoritarian regimes have emerged in middle-income countries throughout most of the 1960s and 1970s.

I.2.4. Capitalist Development, Business, and the rise of Bureaucratic Authoritarianism

Empirical studies (Evans, 1979; O'Donnell, 1979) have shown that even at higher stages of capitalist development, while the composition of the ruling elite changes and a middle-class emerges, regimes are still able to implement authoritarian measures. Most importantly, the business sector supports these authoritarian regimes, or in the least is one of its prime beneficiaries. Evans (Ibid.), among others, has shown that the modernization project leads to the emergence of the technocratic function within the state and military. Hence, bureaucratic authoritarian regimes are founded by a triple alliance between technocrats, domestic capital and multinational firms. These agents typically favour authoritarian practices in order to carry the development project onwards, by suppressing the opposition that comes from the landed elite and the urban poor against the transfer of resources towards industry.

O'Donnell (1979) gives a similar explanation for the rise of bureaucratic authoritarianism, but lodged more so on the logic of state intervention and ISI. To do so, he distinguishes between the easy phase and more capital intensive phase of the development project. During the first phase the state seeks to promote and channel resources towards a nascent light industry. Most of the policy tools are geared towards substituting the importation of consumption goods by subsidizing and protecting their local production. In so doing, states are able to achieve the double aim of creating an

industrial sector at once able to cater to domestic consumption needs and able to build the sufficient technological know-how towards greater competitiveness.

The consumption goods sector is fairly easy to promote, as it does not need much capital and intermediate goods in the production process. However, once nations have developed a light goods industry the next phase and challenge are to move towards more capital intensive sectors. These do increase the dependence of industry on higher capital investments and foreign capital goods. In order to free resources to acquire these, states typically have to do a combination of both decreasing the prices of their traditional export sectors and keeping the rise of wages in check. In implementing such measures states increase foreign reserves and free up resources tied in wages to be used towards higher levels of capital investment.

This, however, must be done in an environment where industrialization has created a potentially militant labour movement and the landed elite will be generally opposed to the decline of their products' prices. Consequently, development minded officials often install more authoritarian regimes than before to crush both sources of discontent and adopt a technocratic function in planning for further industrialization. This practice, according to Hirschman (1979), has often found legitimacy in the developmental projects for late-industrializing nations. To remember, the self-regulating market argument gave commercial classes the ideological legitimacy to oppose state intervention in Western Europe. Under late-development, the very same argument has been used by the developmentalist state in order to suppress popular discontent, as socio-economic groups and the demands they place, not the state, have allegedly hindered the efficiency of the market (Hirschman, *Ibid.*).

The industrial elite have supported these regimes and measures because of the benefits they stood to gain, in addition to the ideological legitimacy of authoritarian practices. Furthermore, along the middle-classes, they have had further reason to back these measures out of fear of the radicalization of labour. In analyzing the rise of bureaucratic authoritarianism as such, Evans and O'Donnell have not only shown that the relationship between capitalism and democracy is not linear, but have also demonstrated that the business community stands to gain from authoritarianism.

Hence, for the purpose of contrasting the factors that affect the business community under late-development to that of the ideal-typical case of Western European development, the studies on bureaucratic authoritarianism reveal that the former is dependent on the state and foreign capital for investment. As such, one factor that makes business conservative force is, ironically, its relative vulnerability.

The above explanations, however, have been criticized for being too deterministic economically by a more state centric academic tradition (Mouzelis 1986). Accordingly, the view that higher levels of economic development will lead to the emergence of authoritarian regimes is as simplified as the view that sees a linear relationship between capitalist development and democracy. It fails to take into account the particular historical legacies that affect the different ways in which society will be incorporated under capitalism. Mouzelis asserts that the rise of authoritarianism after years of democracy is as much a product of state traditions as it is of economic development.

This is based on the observation that the timing of industrialization and the nation-building projects did not occur in tandem under cases of late-development as they had in Western Europe. In advanced capitalist nations the two were fairly simultaneous and gradual. This means that states did not have the immediate pressure to incorporate groups

that had been mobilized as a result of modernization. Moreover, industrialization gave the state the resources to build the necessary institutions to include society progressively. As such, at the peak of industrialization and capitalist development states already had the necessary channels to incorporate class interests. One can therefore, expect a fairly linear model of political development as presented by Marshall.

Studies of late-development, however, have revealed that national boundaries and the need to rule over them were often defined before any meaningful economic change. Furthermore, they also have illustrated that some level of popular mobilization can exist because of revolutionary movements and/or modernization without meaningful industrialization, through such technological innovations as communication and transportation networks (Middlebrook 1995; Mouzelis 1986). Within this context, the challenge posed to states becomes the need to incorporate mobilized groups and rule over a given territory in the absence of revenues economic modernization would have generated.

According to Mouzelis (Ibid.), this has turned states under late-development towards the use of previously existing forms of incorporation. These could be traditional channels such as populism, which relies on charismatic rule and targeted economic rewards, and clientelism, which seeks to establish a network of patronage to gain the support of various groups. Given that this type of particularistic rule and informal state-society relations have given the economic elite a privileged access to the state, they have continued even after development.

Mouzelis therefore explains the rise of bureaucratic authoritarian regimes through the fact that such institutions become inadequate to incorporate all groups that have mobilized during the transition from light industry to heavier industrialization. As such,

the state relies on harsher repressive measures to suppress popular discontent, and this at higher stages of development when the inadequacies of existing institutions are felt.

The two lines of analysis can be combined to explain how the political interests and the commitment to the state of the business elite are shaped. As was said before, the industrial sector is a fairly small community with a privileged access to the state in obtaining much needed resources. Following more state centric arguments for the rise of authoritarian regimes, it should further be added that the channels this elite group has used to access the state have been based on informal and particularistic ties. Consequently, the business class does not have an interest in bringing democratic institutions, which are likely to bring more formalism and transparency to state-society relations thus eliminating traditional channels.

Studies on the rise of authoritarianism after periods of economic development and democratic rule would therefore indicate that the regime loyalties of business are shaped by their dependence on state resources and their privileged access to the state heavily shaped by previous legacies. Before moving to three newer fields of study, which help shed further light on the exact position of business, it is worth mentioning a few words about the impact of this situation on entrepreneurship and business' willingness to embrace change.

I.2.5. State intervention and entrepreneurship

The nature of late-development and the active role played by the state have further impacted the role of the private sector and its openness to change by limiting the growth of entrepreneurship. In the more competitive setting of advanced capitalism, thinkers

such as Chandler have based their notion of entrepreneurship on Parsons' account of social roles (Chandler, 1960; Gerschenkron, 1966). Thus the entrepreneur is someone who is not afraid to break away from accepted norms and attributes. In a very similar definition, Schumpeter's entrepreneur is someone who is willing to make risky investment decisions and innovate in an uncertain environment. Both forms of behaviour are conducive to a generally more dynamic private sector and economic change because the entrepreneur is someone who can break away from tradition and is willing to cope with some level of uncertainty.

The situation, however, is different under late-development where entrepreneurship is said to be lacking. Rostow (1960) believed that in economically backward societies a capitalist class was generally lacking and that individuals faced traditional constraints. Hence, the function of entrepreneur had to come from development minded officials who were the only agents able to feel the pressure to modernize and mobilize resources to that end.

Similarly, Landes (1958) attributed some of the difference between European cases of late-development, such as France and Germany, and England to variations in the patterns of firm ownership. France and Germany, where there was a much higher concentration of capital due to late-development, had less dynamic private sectors than England's. The latter benefited from tools such as venture capitalism that were feasible because of the dispersion of wealth. Family owned companies in both France and Germany, however, tended to be more conservative in the face of change, and it was the states' role in channelling resources and developing new financial tools that permitted both societies to industrialize.

Reviews of the development experience and entrepreneurship in late-industrializing countries also suggests that the relative vulnerability of business and its organic ties to the traditional elite made it traditionally willing to support the state as the primary engine of development and entrepreneurship (Bartell, 1995; Buğra, 1995). However, these studies have further noted that the root causes behind the lack of entrepreneurship are not necessarily cultural or lodged in the behaviour of family owned enterprises.

Buğra, for example, effectively argues that it is the state's control over much needed resources and its reliance on particularistic ties in distributing them or the arbitrary application of the law that affect the organization and behaviour of firms. Capitalists allocate much time and resources in order to maintain close ties to the state rather than concentrating on their prime entrepreneurial functions. Similarly, Gerschenkron (1966) disagrees with the notion that entrepreneurship under late-development is lacking. He argues that a general bias in the development literature and the prominence of state intervention deviate attention away from existing entrepreneurial activity. In fact, he notes that most of the financial schemes the French state had developed were in fact innovations that had emanated from the private sector. As such, it is not so much that entrepreneurship is lacking in the developing world, but more so that the prominence of the state overshadows it. Consequently, if Gerschenkron is right, one can expect some level of dynamism from most members of the private sector. If Buğra is right, one can also expect the same, but only if the relationship of business to the state changes.

Hence, one can say that at worst the nature of late-development and the necessity of state intervention have hurt the development of the entrepreneurial function, and at best

that the state and its role has crowded out private enterprise both empirically and in the perception of the literature. To fully understand what shapes the demands of business under late-development the current study consequently has to remain sensitive to how the tension between the entrepreneurial function and state intervention has evolved.

Now that the general condition of the business community and its political attitude under late-development has been traced, the current review will focus on several newer areas of study in which members of the private sector have been presented as being able to press for significant political change. These studies, and the debates surrounding them, are useful in outlining the factors that affect business on the one hand, and in determining the conditions that lead to a positive relationship between democracy and capitalism on the other.

I.2.6. Democratic transition and the position of business.

The first useful line of investigation centres on explanations of democratic transitions during the 1980s and 1990s. Most nations have witnessed the (re) democratization of some of their political institutions following a decade characterized by human rights violations and economic failure in the form of the debt crisis¹⁷. The juxtaposition of market reforms to tackle the debt problem and political liberalization following the collapse of authoritarian regimes has in general reopened the examination

¹⁷ For scholarship on democratic transition see Haggard and Kaufman (1995), Malloy and Seligson (1987) O'Donnell, Schmitter and Whitehead (1986).

of the interplay between the economy and choice of regime¹⁸. More importantly, the collapse of authoritarian regimes implies some level of change in the attitude of the economic elite towards them and has led to the emergence of scholarship able to illustrate instances where it has become a source of change.

Broad analysis demonstrates that most authoritarian regimes, before “third wave” democratization, had based the justification for their authoritarian route to power, and subsequent violation of human rights, on their ability to carry out needed economic policies that democratic regimes were too weak to undertake (Maravall, 1993). As a result, the debt crisis and failure to generate significant economic growth has led most authoritarian regimes to lose their legitimacy. This situation created a split within the political elite and supporters of the regime: hard-liners, who relied on the increased use of coercion, and soft-liners who favoured some degree of political liberalization (O'Donnell et al. 1986). Within this framework some level of political liberalization and subsequent democratization emerged as a result of the stance taken by soft-liners’ and opposition groups using this opportunity to press for more significant change. The transition, therefore, represents an instance when previous supporters of a system do in fact trigger change.

Consequently, some scholars have focused on the role that the business elite has played during this period of democratic transition. As was seen before, business supported the emergence of authoritarian regimes because they were perceived as favourable to the development of industry and essential to creating a stable economic and

¹⁸ For studies on the interplay between economic reforms and regime change see Bates (1991), Bienen and Gersovitz (1985), Chaudhry (1994), Cizre-Sakallioglu and Yeldan (2000), Cohen (1985), Diamond and Plattner (1993), Espinal (1992), Frieden (1988), Geddes (1999), Haggard and Maxfield (1996), Haggard and Webb (1993), Haggard and Kaufman (1995), Haggard, Kaufman and Evans (1992), Jonakin and Stephens (2004), Kaufman (1985), Kingstone (2001a), Kwon (2004), Pereira, Maravall and Przeworski (1993) and Remmer (1991 and 1998).

political environment. The interrelated set of reasons behind the economic elite's withdrawal of support from authoritarianism is the poor economic performance, the loss of both domestic and international legitimacy and the fact that these regimes had become too insulated even from powerful groups and supporters (Bartell and Payne 1995). During the initial period of transition business is, therefore, seen as a democratizing force. This view and the examination of specific mechanisms have been essential in outlining business' motivations. In so doing, I believe that studies of democratic transition and business' role have been key in linking the latter's position to cases of late-development to earlier theorizing about the Western European case.

For instance, according to Cardoso (1986), Brazilian business had adopted a "democratic" discourse against the military regime for several reasons. First, by stressing the need for democratization it was in essence tackling the problems associated with economic and political uncertainty. In other words, it was bothered by the arbitrary measures adopted by the regime. As will be seen in subsequent sections, uncertainty associated with state policy was also an essential factor in making Chilean industrialists press for some level of political liberalization under Pinochet. The second reason behind Brazilian business' stance was the fact that the discourse was really intended to gain a voice in the country's future industrialization strategies. The problem from the perspective of business was the fact that the state's involvement in the economy was becoming too important. Consequently notions of democracy were really intended to forge a role for the private sector and build alliances with soft-liners and other groups in society.

More extensive reviews of business' position during the transition indeed confirm that sectors previously close to the state were able to press for change due to capital's

growing ability to oppose the state found in its growing economic and political strength as well as the effectiveness of business organizations, which pressed for the broader demands of capital as a class (Bartell and Payne 1995; Durand and Silva 1998). If combined with previous paragraphs this should point to the fact that business feels less vulnerable and dependent on the state than it had during previous periods. When linked to studies of European capitalism these accounts also indicate that closer attention should be paid to the relative strength of business. However, what is key in these studies is the emphasis placed on the states' ability to provide certainty in the economic environment and policy as leading to heightened capitalist activity and increased desire for political reform. These studies have therefore emphasized on the role of the state and business as a political entity to assert that periods where capital is opened to change do exist.

However, other commentators assert that these observations, as they apply to late-industrialization, are confined to the period of political and economic transition. Studies concentrating on the subsequent period of democratic consolidation have revealed that the presence of elite interest can inhibit the further development of democracy (Karl 1990; Karl and Schmitter 1991). Karl (1990) asserts that pacts among elite groups have been preferred under these newly emerging democracies to secure their interests and limit the ability of competing groups to participate in the decision making process. Silva (1996 and 1997) and Barrett (1999 and 2001) also demonstrate that while Chile's business class was partly responsible for the liberalization of the political system, its prevalence within the decision making process greatly constrained the policy options available to those elected to office¹⁹.

¹⁹ For further reading on elite pacts and their impact on the democratization process see Encarnacion (2005), Hagopian (1990), Karl (1990) and O'Donnell et al. (1986).

Based on similar observations Haggard and Kaufman (1995) predict that democracies with strong centrist parties, which can defend business interests, are likelier to maintain the support of the elite when compared to regimes with a fragmented party system. In a more detailed case study of Argentina, (Gibson 1990) illustrates that the lack of parties able to defend business interests partly explains the political instability of the country. Furthermore, (McGuire 1997) illustrates how it was the Peronist party's willingness to make concessions to business, which permitted some level of political stability after the transition to democracy. Hence, the significance of elite interests really limits the level of representation found in these new democracies.

Further studies focusing on power relations between classes have reinforced the notion that the presence of the economic elite is a factor that limits the extent of democratization. For example, Huber and Stephens (1999) claim that the commitment of the business elite to democracy is rather precarious and likely to shift if they feel that they can lose power or popular groups become too threatening. A similar study conducted by Paige (1993) illustrates that while it was in the interest of the more capital intensive sectors to promote political liberalization during the Salvadorian transition, this group still aligned with landed classes around issues dealing with the social and political rights of workers.

These studies therefore reveal that various members of the elite can form alliances in order to limit democratic rights extended to society and preserve authoritarian and elite enclaves within the state. In this model, large business is perceived as taking part in these conservative pacts or, in the least, as benefiting from their exclusionary nature. As a result, despite democratic transition the economic elite can still inhibit the further extension of democracy.

Nonetheless, the debates surrounding business' role during and after transitions raise a new paradox. It was established that a combination of structural advantage with the relative vulnerability were the factors that led business to support authoritarianism under late-industrialization. The active role played by the business community and its ability to topple dictatorships points to the fact that it has reached a certain level of power and maturity. Furthermore some studies do point to the fact that business in these emerging democracies have continued contributing to democratic consolidation (Durand and Silva 1998). However, if the post-transition literature is correct in its predictions about the impact of elite pacts and business's lack of commitment to democracy, its desire to secure and maintain privileges would indicate that business still feels as vulnerable as it had under authoritarian periods. Hence, one can notice the emergence of a new discussion centring on the relative strength of business, its changing needs as well as its ability to influence the state and desire to keep popular groups out of decision-making. Studying the case of Turkey and TÜSIAD will therefore be indicative of if and how the strength of the private sector comes into play in pushing for increased democratization and whether the interests of business can contribute to further political change in new democracies. A further area of examination assessing how the relative power of business and its privileged access to the state have changed has been to look at the impacts of economic reforms undertaken by most late-industrializing countries.

I.2.7. Economic liberalization, democratic consolidation and business

Most regime transitions of the 1980s and 1990s were also accompanied by

paradigm shifts in economic and industrial strategies. While beyond the scope of the current dissertation, briefly reviewing the impact is important in order to understand the type of environment that TÜSIAD has operated in given that similar reforms have been undertaken in Turkey since the 1980s.

Previous ISI policies were abandoned because they were perceived as contributing to the debt crisis due to the enormous cost they represented, their inability in creating a competitive industry and the fact that they had been conducive to the wasteful use of state resources. Import substitution was therefore abandoned in order to adopt market-oriented reforms geared at stimulating foreign trade and therefore lead to the emergence of export led growth (ELG). Furthermore, costly state involvement in the regulation of the exchange and interest rates was abandoned by liberalizing foreign exchange and financial markets²⁰. These reforms were seen as necessary to service the debt, by limiting inefficient state investments in various areas of the economy and society, and to overcome bottlenecks in production by increasing foreign currency reserves through free trade. From the perspective of industrialization, sectors that had not previously been forced to compete with the rest of the world would be forced to become more efficient.

The timing of political and economic transitions led scholars to concentrate on two interrelated issues: (1) the impact of these reforms on nascent democratic institutions, and, (2) whether these regimes would be able to implement these necessary reforms. From the perspective of business' regime loyalties, these changes and issues are important for several reasons. For one thing they do bring a paradigm shift in state-society relations and they do get at the core issue of whether markets and democracy are

²⁰ For scholarship on the nature of the structural adjustment programs see Balassa (1982), Dornbusch and Edwards (1995), Haggard, Kaufman and Evans (1992), Lall and Latsch (1998) and Şenses (1991 and 1994).

compatible, for another the democracy-market reform nexus affects the relative ability of classes to impact policy.

While some scholars have been optimistic about the reforms' ability to curb arbitrary state involvement in the economy, most tend to agree that the reforms have created new forms of state-society relations that are as informal, exclusionary and arbitrary as previous arrangements, or in the least have not directly contributed to strengthening democratic institutions (Ducatenzeiler and Oxfhorn 1994; Oxfhorn and Ducatenzeiler 1998; Pereira, Maravall and Przeworski 1993; Przeworski 1991; Smith, Acuna and Gamarra 1994; Waisman 1992). This observation is based on several factors inherent to the reforms and the nature of regimes under which they have been adopted.

First, as mentioned earlier, state-centric accounts of authoritarianism argued that the problem under late-development was not necessarily excess state intervention in the economy but more so the over reliance on informal channels of incorporation (Mouzelis, 1986). If this is the case, policies geared at limiting state involvement and spending will have the opposite effect and accentuate the problem by eliminating institutions that potentially would constitute formal channels of incorporation (Pereira, Maravall and Przeworski 1993). This will eliminate potential checks on the state and also perpetuate the reliance on state practices and informal channels that the reforms intended to curb in the first place.

As such, problems such as rent-seeking that state reform intends to tackle can persist. In conjuncture with the growing inability of society to check the state under these new reforms, is the claim that liberalization have not done much to eliminate rent-seeking activities. Though the shift away from IS policies has limited the amount of protection national industries enjoy, it is believed that outward looking models of growth have

created their own sources of rent (Boratav, 1994). New sectors such as export industries have continued to receive subsidies under the new strategy. Different sources of rent created by speculation have emerged due to the lack of regulation in various markets.

Second, and relating to the previous point, some authors have even argued that market oriented reforms have accentuated the exclusionary and particularistic nature of state-society relations by further limiting the capacity of popular groups to participate in the decision making process. This is caused both through shifts in the balance of power within society and the practices in the implementation of the economic reforms. In terms of the relative power of social groups, economic reforms in the forms of cuts to social spending, real wages and the state as a source of employment has eroded the economic power of popular groups therefore weakening civil society as a potential check to the state (Oxhorn, 1996; Ducatenzeiler and Oxhorn 1994).

Politically, the urgency of these reforms has given the government increased legitimacy when bypassing democratic and formal channels for their implementation²¹. This has been reinforced by the perceived nature of the reforms, that there is a “consensus” surrounding them and that states do not fall prey to popular pressures anymore, have taken economic policy out of the arena of popular discontent (Oxhorn and Ducatenzeiler, 1998)²². Most importantly, the concentration of policy implementation in the hands of the executive has thus giving an advantage to groups close to the state in the acquisition of these resources (Evans 1995; Hagopian 1990 and 2000; Silva 1996 and 1991).

It can therefore be argued that the nature of the reforms and their impact has not

²¹ For discussions see Gibson (1990 and 1996), McGuire (1997), Pereira, Maravall and Przeworski (1993), Smith (1991) and Weyland (1996).

²² For a discussion of the “consensus” see Williamson (1993).

done much to change the fundamental aspect of state-society and state-business relations. As will be seen below, Evans in particular argues that more than the extent and size of the role of the state one should look at its relations to the society when predicting the success of policy implementation (Evans 1995). Therefore, specific policies do not curb the discretionary power of the state and those that have particularistic ties to the state are expected to maintain an exclusionary access to new forms of subsidies and rent. Furthermore, the inability of popular sectors to voice opposition can be used as a wage control mechanism at the benefit of industrialists, and in more general terms to give greater relative power to the economic elite.

These arguments suggest that the impact of political and economic change on the ability of the economic elite to maintain close ties to the state has not been significant. From the perspective of democratic consolidation, that is the stability of these democracies, this means that the business sector will not be opposed to the ongoing changes, as their situation vis-à-vis the state has not changed. However, it also suggests that the commitment of this sector to further reforms, particularly those that threaten their interests by increasing participation and decreasing particularism, will be limited. This view also confirms the democratic transition literature's assertion that elite pacts were essential in securing support for democracy (Hagopian 1990; Higley and Burton 1989; Karl 1990; Karl and Schmitter 1991). However, as seen above, these elite pacts and their interests greatly limit the quality of these democracies by creating elite enclaves.

Most importantly, this is further testament to the fact that the relationship between democracy and the market should not be perceived as being linear. On the contrary, deregulation and increased political and economic inequalities can accentuate the exclusive nature of state-business relations (Pereira, Przeworski and Maravall 1993). As

a result, there seems to be no immediate reason to believe that economic reforms will change the attitude of industrial leaders towards the state and democracy.

However, certain aspects of economic reforms combined with the fact that the business elite did in fact contribute to political change, can help formulate alternative propositions. For one thing, it is important to remember that economic policy does not have a uniform impact on all members of the business community. Although certain groups can maintain access to the state, measures such as the liberalization of financial and foreign exchange markets can change the composition of the economic elite. For example, the possibilities for speculation in these markets have led to the emergence of a new class of investors who benefit from rents created by the state due to their access to insider information (Boratav, 1994, Silva, 1996)²³. Consequently, to understand the attitude of business in the face of economic reforms one has to distinguish between different sectors and firms (Maxfield and Schneider 1997)²⁴. In so doing, analyses should move beyond assumptions about the access business will have to policy making and focus more on how it has been impacted by changes in the development paradigm. When approached in this manner several elements that can make business more favourable to democracy under economic liberalization can be outlined.

First, Maravall (1993) as well as others such as Geddes (1995) have helped

²³ In addition to creating a new privileged class close to the state, this can increase the relative profitability of financial investments at the expense of industrial investments, creating a relatively unstable economic environment due to speculation. In these instances the industrial elite can change its attitude towards the state and its policies. Even though firms can diversify their portfolios, industrialists still desire a stable environment and guaranteed return for their investment in their primary activities. In his study of Chile, Silva (1996) has demonstrated that the emergence of financial speculators close to technocrats, during the early periods of Pinochet's rule, has led industrialists to mistrust the regime and decrease their level of investment and the level of support that they had lent to Pinochet.

²⁴ Furthermore, it is difficult to build a direct relationship between the specific interests of the business community and the policies that they support. Indeed, states and business organizations can craft coalitions to implement changes that go against strong business interests (Kingstone 2001b).

delineate the fact that democratic regimes are better at implementing market reforms than authoritarian regimes. This is achieved, among other things, through institutions such as the freedom of the press, which plays the role of an important feedback mechanism, and most importantly elections, which give much more legitimacy to elected officials in the implementation of reforms than their authoritarian counterparts²⁵. As such, studies focusing on the ability of regimes to implement economic policy rather than the impact of liberalization on the quality of democracy have found a functional affinity between democracy and economic governance.

Second, Bartell (1995) has illustrated that ELG strategies, as opposed to ISI, place much of the responsibility of industrialization and growth on the private sector and not the state. This does, according to Bartell have an impact on the perceptions and ideology of the private sector as well as the balance of power between it and the state. If one of the causes behind authoritarianism in the previous periods was that state intervention hindered the rise of entrepreneurship and made the private sector too vulnerable, then the reforms can help solve the problem by creating a more autonomous and dynamic class of businesspeople. For example, Bartell does show that this shift has been more accentuated in Chile, where liberalization has been

In more general terms, the acceptance of the market can have an impact on the ideology of business. The adoption of market oriented reform domestically, and as a viable development paradigm internationally, can decrease the dominant ideology's hold on business (Bartell, 1995; Bartell and Payne, 1995; Durand and Silva 1998). While its secondary role had led business to adopt the dominant ideology imposed by the

²⁵ For a review and discussions on the positive relationship between democracy and market reforms see Diamond and Plattner eds. (1993).

traditional elite, the acceptance of liberal economic ideas across society can give business an added source of legitimacy and in general make it accept its role of entrepreneur.

Finally, while the shift away from IS policies has decreased the quantitative role of the state in industry, the success of outward looking models of development requires different forms of state intervention. This has been demonstrated by the case of East Asian development, where state intervention has been beneficial to export industries. By monitoring foreign markets and new technologies the state can be a valuable source of information for business (Evans, 1995). As illustrated by Evans, this is mainly dependent on the state's ability to forge ties with business. As such, under outward models of growth business may have an increased stake in influencing the state and demanding reform.

The studies presented in the above debate have so far mainly focused on the domestic aspects of economic liberalization. Other studies, however, have focused on the impact of internationalization on state-society relations and democratic institutions by directly looking at the constraints that international dynamics place on domestic institutions. Like the studies presented above, these studies also diverge on the impact that greater international integration or so-called globalization will have on political institutions and state-society relations.

The more nuanced studies, however, have gone beyond judging whether international integration is potentially good or bad for the quality of democracy to illustrate the exact mechanisms involved. This is largely due to the fact that a great deal of the impact is still believed to be mediated by domestic factors²⁶. However, studies

²⁶ Some authors like Mann (1997) have shown that growing international integration affects various policy areas differently, some have led to an increase power of the nation-state while others have witnessed its

that have focused on the impact of external factors in the post-liberalization environment have investigated whether both sets of problems associated with the economic reforms can also be found in the impact that increased international trade and integration have. As such, the splits about the potential harm and benefits of liberalization do exist in the literature. These studies can be seen as specifically as investigating external pressures' impact on measures of inequality, which are believed to affect the ability of individuals to participate in the decision making process, and on the level of the political accountability of officials.

While some, as will be seen below, do illustrate that integration will contribute to democratization, studies looking at measures of inequality and forms of exclusion have found mechanisms through which international pressures can limit democracy. Some, for instance, have investigated the impact of international trade and financial liberalization on already existing inequalities. Falkinger and Grossmann (2005) demonstrate that resistance from the landed elite to such things as public schooling in resource rich countries is higher under trade openness rather than inward oriented industrialization policies. As such, the nature of trade can further strengthen the resistance of specific groups to social policies. Furthermore, Kaufman and Segura-Ubiergo (2001) have shown that integration has negatively affected the levels of social spending. As such, while it does not directly create inequality, trade openness can exasperate some measures of inequality²⁷.

The negative impact on democracy and inequality can also be accentuated by the

growing disengagement. Other studies also demonstrate that policy choices such as social spending are still heavily dependent on domestic politics rather than international pressures, see for example Mahler (2004).

²⁷ For a review of how poverty and inequality are affected under open trade regimes see Tokman and O'Donnell (1998).

impact that openness has had on the accountability of politicians. Alper and Onis (2003), for example, argue that financial liberalization in contexts where there are no checks on populist policies has tended to exasperate the impact of populist cycles and has further contributed to financial instability through such tools as short-term borrowing available to the state. Sand-Zantman (2004) has also demonstrated that while the cross country comparison of economic performance has increased the accountability of governments in an open financial and trade regime, policy-interdependence has had an overall bad impact on the level of control that society exercises on politicians. As such, nuanced studies have found several mechanisms through which domestic politics and international factors have interacted to affect democracy, sometimes positively while at others negatively.

Consequently, there are circumstances under which international integration can also favourably affect democracy and the position of business vis-à-vis political change. It was mentioned above that authors like Evans had emphasized the need for a particular form of state-business relations to remain competitive in outward oriented models of growth. As such, international integration can create a source of pressure both on business and the state to implement state reform in order to remain competitive.

Second, and related to this point, the decline of state protection and subsidies can hinder the ability of industries to develop the necessary technological knowledge domestically. Consequently, new ways of developing technology such as foreign direct investment may become essential. In this case the state's ability to provide a stable economic and political environment becomes essential for industry.

Within this framework Rudra (2005) demonstrates that capital flows and international competition affect democracy positively when there are social and economic safety nets in place to balance the negative impacts of integration. Furthermore, Li and

Reuveny (2003) have shown through that trade openness has tended to weaken democracy in the 127 countries they have studied while foreign direct investment has tended to be associated with the development of democratic institutions.

These factors can thus lead industrialists to support political reform in order to attract foreign investment and trade with other countries. The research on international integration can therefore help predict two countertendencies in how it will affect the attitude and situation of the economic elite. On the one hand, it can amplify already existing structural inequalities, while on the other it can create new pressures for democratization, or in the least state reform.

Overall, the economic reform and democratization literature reveals that differences in the ability of states to adapt to their new role can be a source of potential tension between industrialists and the state. Some observations would suggest that there is no new incentive to fundamentally change existing arrangements in state-business relations and that the commitment of business to democracy is very limited in time and scope. Others, however, have noted that the set of reforms do alter the situation of the business community and presents it with an opportunity to finally be autonomous and confident in its role as an engine of change. The key issue then becomes to determine what factors will lead business to embrace this new role. I believe that more specific scholarship on state-business relations can help shed some more light on the problem.

I.2.8. State-Business relations, economic performance and entrepreneurs's regime loyalties.

Conflicting findings and opinions about regimes' relative capacity to implement economic liberalization, and the incidence of rent-seeking, has led scholars to concentrate on the more permanent features of policy making, namely state tradition. The impetus behind this growing interest is lodged in decades of various industrialization strategies implemented across different cases with very different developmental outcomes, both for the case of ISI and ELG. These variations have, therefore, led scholars to focus on what determines success in the implementation of economic policy. It is generally accepted that waste in the form of over protection or corruption has channelled away resources that could have otherwise been invested in more developmental goals and competitive domestic industries. However, that the problem has emerged under both ISI and ELG, and the fact that success stories exist for both have moved scholars away from a debate about the optimum quantity of state intervention to the more qualitative roles states should play²⁸. The new studies have therefore focused more on the nature of state-business relations to outline the factors that help officials formulate good industrialization policies and curb rent-seeking practices (Evans 1995; Maxfield and Schneider 1997).

These have also presented fruitful areas of research for the current thesis. More specifically, studies on the shape state-business relations can take have important implications in building the current analytical framework, and this in several different ways. First, they do point to the fact that states can be autonomous in the implementation of economic policy, and as such have moved away from conceptions limited to the structural power of business. Second, by examining cases in which rent-seeking exists and/or has been limited they do point to the conditions under which a greater level of formalism can emerge in state-society relations.

²⁸ See (Amsden 1989, Johnson 1982, Wade 1990) for successful cases of state intervention.

In his examination on South Korean and Taiwanese success, Peter Evans (Ibid.) has demonstrated that it is the existence of a meritocratic rational bureaucracy that leads officials to pursue long-term development projects without falling prey to rent-seeking. Nonetheless, too much autonomy is also likely to lead to excesses, as society will be unable to check the actions of the state. Evans therefore feels that part of success lies in the fact that these states have some level of “embeddedness”. In other words, they have some level of connection to the business community through which they can obtain valuable feedback to fine tune their policies. Hence, a bureaucratic state that does not fall prey to rent-seeking but is still receptive enough to the needs of business can yield positive developmental results.

I believe that the most significant contribution of this line of investigation has been in demonstrating that the form state-business relations take is as, if not more, important a factor than the level of state intervention in determining a wide range of outcomes from development to the behaviour of the private sector. Not only formalism in state-business relations is key in leading to capitalist development, but more particularistic forms of rule have tended to greatly constrain capitalist activity. This view helps draw a direct link with classical thought, both Marxist and Weberian, which sees in the rise of the bureaucratic state and democracy an environment fruitful to capitalist interest. Business is therefore expected to greatly benefit from formalism in its dealings with the state.

However, I also believe that the manner in which this research agenda has been carried out still falls into a trap that previous work had fallen into. Studies tend to focus too much on the state and its ability to shape its relations with society. This is a perpetuation of the common assumption that business is self-interested, will seek to

corrupt the state, and lacks entrepreneurship. Given these assumptions explaining successful industrialization projects has mostly be done by looking at the state. For instance, previous scholarship on TÜSIAD has even been suspicious of its member's capacity to change their rent-seeking behaviour (Milor and Biddle, 1997).

There is nothing wrong with this bias and focus, as states have in fact played a major role in development. Nonetheless, in doing so studies fail to consider whether there may be circumstances under which business will be interested in building more formal ties with the state and/or focus on the longer term. To grasp why and how business can be interested in state reform and increased democratization the current study has to stay open to this type of investigation.

Silva (1995 and 1996) builds on Evans's perspective by avoiding this pitfall and, in so doing, develops a useful framework by looking at both the state and business sides of the coin. In his study of the Pinochet regime and subsequent political liberalization in Chile, Silva does reiterate that state-business relationships are important in understanding success. To do so, he demonstrates that the problem with the Pinochet regime during its first decade in power was its insulation from the industrial elite. This insulation, however, did not bring about better policy or a decline in corruption. As was just noted in the previous section, the technocrats known as the "Chicago boys" maintained close relations with a handful of financial speculators to whom they fed insider information. The gains that some were making from state policy with the insulation of the regime created an environment of uncertainty and mistrust between the state and the industrial elite.

This created a crisis of investment during the first decade of Pinochet's rule. What is important to note is the fact that this crisis occurred despite the existence of an

environment where the state was ideologically committed to capitalist interest. Hence, Silva's contribution is to show that mistrust, regardless of policy, can affect levels of investment. The response of the business elite to the problem was to press for greater access to the state and some level of political liberalization through peak associations. Once access was granted to business leaders and they were able to trust the state enough, they started reinvesting.²⁹

Similarly, when the first democratic elections of 1989 produced a centre left wing government, business was able to use the channels of representation it had built to secure the government's commitment to capitalist enterprise and economic liberalization. In exchange, the government was able to make business accept a set of social policies without hindering investment. This further demonstrates that Evans is right in stressing the importance of "embeddedness" and formal ties between the state and business.

However, Silva achieves even more by demonstrating on the one hand that business can become an agent of change and that, regardless of policy, the level of certainty and trust is an important determinant of capitalist activity. This also helps link the case of a late-industrializer like Chile to the ideal-typical case of Western European development: institutions that permit the creation of a certain business environment tend to be favoured by business. If Silva is right, one has to consider the fact that overtime business can become strong enough to press for change and that its relation to the state will be a great determinant of the type of reform or change it will accept or press for.

Studies in the same tradition, including Silva himself, have further explained the potential for increased business interest in political change by focusing on business

²⁹ Conaghan (1998) also demonstrates that exclusion for the decision making process was a great motivating force behind business's mobilization against the state in the Central Andes region.

associations as an essential variable. Much of the previous theorizing had focused mainly on the structural weakness or strength of the private sector in predicting their level of militancy. Silva, however, demonstrates that business has been able to press for change through the creation of peak associations targeting the state. Others (Payne and Bartell, 1995; Acuna, 1995; Durand and Silva, 1998; Conaghan, 1998) have also adopted a similar perspective to stress that business organizations have been instrumental during periods of democratic transition through a number of mechanisms.

First, they push members of the private sector to go beyond their narrow interests to focus on the broader needs of capital. Second, in doing so business associations have been able to present a unified front to overcome the historical vulnerability of the capitalist class under-late development. By focusing on these two levels, these studies present the advantage of reconciling the views that on the one hand attribute a disproportionate amount of structural power to business and on the other see it as being too dependent on the state.

Consequently, the business-state relations literature does provide further useful tools. The level of formalism, access to the state and certainty are essential to understand business' performance. However, this change should not be seen as emanating from the state, as in some situations business can press for this type of change and do so through the use of organizations that help compensate for its traditional lack of power. Most importantly, recent studies, as well as previous ones on business's role during democratic transitions, have illustrated that the level of inclusion (or exclusion) the state grants to business is an essential determinant of the latter's political activities. The study of TÜSIAD should therefore be open to such changes and pay close attention to its relation to the state.

I.3. Study design

I.3.1 General observations and key concepts of the current study

The above exposé has been rather long because of the range of issues studies that can shed some light on the factors affecting the attitude of business. Nonetheless, several sets of common key observations and emphasis on specific variables emerge out of this discussion.

Some have focused on the economic needs of capital as either going hand in hand with democracy or, conversely, as being a factor behind the rise of authoritarian regimes in the context of late-development. Discussions on the affinity between democratic institutions and capitalist development reveal that there are advantages for capitalist interest in having a state that maintains formal ties with society and that is able to provide some level of certainty, things that are more often than not found under democratic regimes (Diamond and Plattner 1993; Marshall 1950; Schumpeter 1942). Nonetheless, other studies have demonstrated that an elite group can not only benefit from the same institutions under a wide range of regimes willing to accommodate capitalist interest (Mann, 1987), but have also maintained that late-development requires active state intervention, creating a politically passive or conservative business community (Evans 1979; O'Donnell 1979; O'Donnell 1988). Turkey, with three military coups within the last forty years and limits to its democracy, falls under the second category. TÜSIAD's support for increased democracy therefore provides a unique opportunity to contribute to

this debate. An investigation of how evolving economic needs have affected the association's demands, will help link the two stages of economic development and determine whether there is something inherent to capitalist interest at later stages of development that would make it cut its ties from the state and realize the benefits of institutions usually associated with full democracy.

The second factor, regardless of their foci, studies have disagreed on is the structural power of business and its exact role in determining political and economic outcomes. Some have viewed business as strong enough to press for regime changes and limit/extend democratic rights (Huber and Stephens 1999; Rueschemeyer, Huber and Stephens 1992). Others, however, have assumed that business, especially under late-development, is essentially weak, dependent on the state and fearful of change. The study of TÜSIAD will help assess whether changes in the relative strength of its members can help explain changes in its attitude.

The third factor I have found to be important is the manner in which business and capitalism have been affected by the nature of the state. As seen above, the biggest answer to studies mainly focusing on economic needs and the structural power of business has come from scholars who have traced political and economic outcomes more so on state traditions (Evans et al. 1985; Hall 1985; Middlebrook 1995; Mouzelis 1986; Skocpol 1979). Within this tradition, some have traced the nature of regimes under capitalism to the manner in which states have incorporated societal and economic interests, while others have focused on the level of inclusion that states have granted business to determine the latter's level of political militancy.

This is why I have decided to organize the two main chapters of this dissertation around a discussion of these main competing foci behind business's attitude. As such,

Chapter 4 concentrates mainly on how the economic needs of TÜSIAD members have evolved and how they have linked these to their demands for increased democracy, while Chapter 5 focuses on the nature of the Turkish state and how TÜSIAD member's relation to it has changed. The dissertation remains sensitive to discussions on the structural power of TÜSIAD members, but because this variable affects both its relation to the state and its economic needs, I have chosen to incorporate discussions about it in these two chapters rather than isolating it in an artificial manner.

Remaining open to these competing conceptions of business, whilst maintaining some ability to test which explanations are the most pertinent to the case of TÜSIAD, requires an analytical framework that is at once sound and encompassing. In simpler terms this means that business must be conceptualized in a manner that recognizes variations in its structural power and the impact that its relative weakness or strength has on political outcomes.

The first, and perhaps most important, step to doing so is to find a manageable and empirically sound way of conceptualizing its relation to the state. Studies that have attributed too much power to business in determining both the rise of democracy and authoritarianism have, by definition, seen the state as representing the interest of the dominant class in society. However, as was seen in the current presentation, these have failed to take into account how different state traditions have impacted the manner in which states were able to find different solutions to incorporating society, and, they have been unable to account for why business will choose to use this power to press for democratization in some instances and authoritarianism in others.

Furthermore, it is an approach that tends to emphasize the incorporation of class politics as the main guiding factor behind state behaviour. Studies, however, have

demonstrated that state officials can develop autonomous goals under various circumstances. One way to overcome this is to recognize, like most already have, that states can become autonomous and pursue their own goals independently of class interests.

I find that one useful methodological conception of the state has been the one developed by Mann and Hall. In their approach they try to combine the Weberian criticism of Marxism, that it focuses too much on the economic function of the state and actors, while remaining open to the fact that under some circumstances the state can be open to, and motivated by, class interests. In order to do so, they assert that different sources of power exist in society and that the state has different functions. Hall mainly recognizes political, economic and ideological functions and power in determining the state's ability to affect society, and vice versa. In addition to these three sources of power, Mann chooses to dissociate the military power/function from the political power of the state or groups.

The type of state that emerges under a specific society and its relations to groups or classes at any given point in time is, within this framework, determined by the degree to which it is able/willing to control each function. Similarly the interests of individuals and their motivations are determined by the distribution of these sources of power across society and the functions the state chooses to control in order to integrate society. In guise of example, we can use two competing theories for the lack of entrepreneurship under late-development. One perspective sees the relative economic weakness of society as requiring the state to take on the economic function of entrepreneur. Within this scenario, the control of the state over economic power is a factor that inhibits the further development of entrepreneurship in society. Another possible interpretation is that

entrepreneurship is lacking because the business class adopts the ideology of the ruling elite and profit motivation has never become a valued form of behaviour in society. Within this alternative, it is the state's, or traditional groups', control over ideology that hinders the rise of entrepreneurship.

The approach offered by Mann and Hall, is amenable to both explanations: the economic power of the state and the private sector's dependence probably leads the latter to embracing the dominant ideology imposed by the state. Adopting this framework will therefore permit the current dissertation to determine whether there has been a shift in the exact relationship of TÜSIAD members to the state, and this on more than one level and by remaining sensitive to broader macro processes.

Having defined the conceptualization of the state that will be used throughout these next chapters and defined why it will be useful, I will now define exactly what my study subjects are and what I mean by business. Throughout this presentation I have referred to individuals or groups engaged in capitalist activity as: bourgeoisie, members of capitalist class, capital, private sector, economic/industrial elite and business community. These were partly used to remain faithful to the terminology used in each of the respective studies I have presented, or in the least reflect the spirit of what they were intending to do. I will also, for concerns of style, use a wide spectrum of words to refer to my study population throughout the dissertation.

However, I should clearly define what the focus of the study is. The study is primarily concerned with members of TÜSIAD and their perceptions, needs and interests. TÜSIAD was, and to a great extent still is, an association that defends the interests of large industrialists located in the Istanbul region. These include the owners of some of the largest private corporations in Turkey. However, over the past few years it has also

started to include professional managers, smaller industrial or advising firms that cater to the needs of large industrialists, and members from smaller firms that feel ideologically close to the goals of TÜSIAD. Consequently, this dissertation remains alert to the fact that TÜSIAD members can have some power based on their structural position.

I also recognize the fact that in some cases the only motivating factor behind their actions is not their role as capital, and that not every TÜSIAD member is in such an advantageous structural position. This has two implications for the conceptualization of business. First, the strength/weakness of the association and its members is not just determined by their class or investment decisions. Second, the only unifying factor in the association is not class consciousness and can have elements of belonging to the same network or sharing the same ideology.

As such, wherever the main focus of the thesis is the structural situation of some key TÜSIAD members I tend to refer to them as large capital, industrial capital or the business/economic elite. Nonetheless, these terms should not imply that they can affect political outcomes by their investment decisions or actions alone, it only helps emphasize the fact that they do have some potential to gain political power through the role that they play in society. However, whether this is actually realized lies on a number of other factors, such as the position adopted by the state and the power of other groups.

Moreover, when the prime focus tends to be that of TÜSIAD members in general and their more ideological perceptions of such things as the Turkish state, I tend to refer to them as entrepreneurs, members of the private sector, TÜSIAD or the business community. Similarly, I also use the term entrepreneur when focusing on their actions and activities as individuals who control and run firms or work as professionals within the private sector.

This terminology is really intended to give a more nuanced view of the association and capture the different factors that come into play. The more correct definition, I believe, should be that of business community or members of the private sector. These terms imply a sense of class consciousness, a form of entrepreneurial behaviour, some degree of economic and political power and a feeling of belonging to a certain network.

I believe that these are all the elements that are essential to understanding the dynamics that affect TÜSIAD and its members. As such, they also present the advantage of discussing the merit of most theories that offer a wide range of perspective on the structural power of business or again that attribute it a wide range of behaviour. Having defined the two most important concepts that I use throughout the dissertation I will now describe the methodology that I have chosen to tackle the topic and explain why I believe it is the most appropriate given the subject matter.

I.3.2. The advantages of a single case study and expert interviews

As the above literature review suggests, there is a great deal to learn from deviant cases when studying the attitudes of business and the link between capitalism and democracy. Quantitative studies, as noted by Rueschemeyer et. al. (1992), have been useful in demonstrating that there is a correlation between low levels of development and authoritarianism on the one hand, and high levels of development and democracy on the other. While it is true that most established democracies have some form of capitalist economy and have undergone industrialization, the correlation should not imply a linear relationship. Rueschemeyer et. al. (Ibid.) note that to understand the exact relationship it is as, if not more, useful to examine the specific cases of middle-income countries, which

have represented outlying cases by witnessing the rise of authoritarianism after decades of democratic rule and at higher stages of their development. Given that there are exceptions to the rule, they believe that much can be learned from historical comparative or single case studies to determine the exact mechanisms that come into play in the breakdown of the relationship.

It was shown that by using this methodology authors, such as Evans or O'Donnell, were effectively able to illustrate what made the rise of authoritarianism inevitable under certain development strategies or that commentators, such as Mann and Mouzelis, were able to theorize about the impact of various state traditions on the exact form that regimes under capitalism would take.

I am sympathetic to this approach and believe that it is the most appropriate to understand the case of TÜSIAD. Turkey has also witnessed authoritarian reversals, in the form of three military coups within twenty years, at higher stages of economic development and its democracy still presents deficiencies. As such, theorizing based on historical explanations of this situation have been fruitful in making contributions to further knowledge about the role of state tradition and class structure on such things as regime outcomes (Keyder, 1995), the situation of business (Buğra, 1995) and the relative weakness of civil society (Mardin, 1991).

Large business in Turkey, like the economic elite in most cases of late-development, has been typically portrayed as benefiting from the state and its arbitrary practices. Therefore, the stance TÜSIAD has taken during the 1990s is novel not only within the narrow case of Turkey but also across similar cases. Because this deviation can contribute a great deal to further knowledge about how the political stance of business changes, I have chosen to do a single case study that remains sensitive to the in dept

information available. In so doing, the study yields in dept findings about the mechanisms involved. These can be applied to understanding other cases with similar patterns.

In order to achieve this dept of knowledge, I have based the thesis on information obtained from semi-structured expert interviews. I have chosen to do these with key informants from TÜSIAD during two field trips to Turkey, which totalled six months. My meetings have been fruitful for several reasons. First, as mentioned in the above paragraph, there is a lack of theory on why large industrialists and members of the business community would press for increased democratization. There is also a lack of knowledge as to why they would seek to dramatically change their relationship with the state by tackling sensitive issues previously under the monopoly of the dominant state ideology. As a result, the interviews gave me the possibility to test some hypotheses grounded on existing work, while exploring possible alternative explanations raised by my informants.

Second, the population I have interviewed was very knowledgeable with the issues involved not only at a practical level, but also conceptual level. One owner of a large corporation even quoted Marx to explain what he referred to the “democratizing role of the bourgeoisie”, while another was able to summarize my research question during the first minutes of our interview. As such, by conducting the interviews in this manner, I was able to discuss the factors that they viewed as the most important in a very candid manner. Third, given that the thesis seeks to explain what has changed in the attitude of TÜSIAD members and their goals, interviews with members who have been involved with the association or the business community since the 1970s gave me access to longitudinal information that I would have otherwise missed.

To reap the benefits of such an approach I have decided to treat the interviews as expert interviews. In other words, I have chosen to interview TÜSIAD members who were involved with the association's activities and had some first hand knowledge about how the activities of the association evolved, through such things as the publication of the *Perspectives on Democratization in Turkey*. For example two informants, Can Paker and Ishak Alaton, were heavily involved in the preparation of the report. Some of the interviews have been with individuals occupying in key positions within TÜSIAD. Among my informants were three former TÜSIAD presidents, including Feyyaz Berker who was one of the twelve founding members of the association and governed it for the largest part of the 1970s, and had served also as the associations Secretary General for a long period. These were individuals who knew the association and the problems that its members face fairly well. As such, I have preferred to devote energy to acquiring this type of knowledge rather than interview a larger sample.

This methodology has some limitations. The thesis cannot, and does not seek to, draw an exact ideological or economic map of Turkish businesspeople. Rather it remains faithful to the problems and processes that key TÜSIAD members view as important to the stance of their association. Potential problems of bias have been overcome by comparing the respondents' answers and seeking confirmation about specific historical information. In so doing, I have been able to confirm that most of the accounts were accurate and in line with each other.

Nonetheless, I have been careful in seeking a wide enough range of informants to make sure that voice was given to potentially conflicting explanations. To do so, I have conducted interviews with owners of some of the largest corporations in Turkey, the owners of small and medium sized firms, individuals from sectors other than

manufacturing, professional managers, younger and older members, as well as female and male members. This step to interview a wide enough range of members was intended to tests whether these differences produced some variation. If they had, I would have conducted more interviews to understand the exact nature of the variations.

In addition to these TÜSIAD members I have interviewed individuals from the permanent staff of the association. These included the General Secretary and his two deputies, the heads of the Brussels and Ankara offices, and a team of young experts. The experts were typically younger professionals with a graduate degree in the social sciences and included three informants who, along the deputy secretaries, worked in different sections of TÜSIAD to help members in the various activities of the association, such as the publication of reports or organizing meetings on key topics. As such, they had an insider look at the ideology of the association, the dynamics within meetings and the processes behind specific activities. I have been fortunate enough to conduct several follow up interviews and have informal conversations with two Deputy Secretaries, which was a valuable way to acquire more detailed knowledge about specific historical events or the organizational aspects of the association.

In addition to these main interviews, I have discussed the topic with individuals close to the association and/or the industrial elite. These included several conversations with a former journalist who now is a top ranking manager in a corporation and who is heavily involved in some of the activities that TÜSIAD members organize, the editor of a magazine on economic news, a former TÜSIAD member who then headed a large charitable organization, and two academics, one who works on TÜSIAD's permanent publications and the other who since the study has become a TÜSIAD member. In addition to these, which gave me a privileged objective view, I have been able to discuss

my observations with several Turkish academics and state officials, including someone from the prime ministers office.

The interviews can be summarized in the following table:

Table 1.1: Breakdown of informants

	Total	Breakdown			
		Large Corporation (Holding)		Small to Medium manufacturing	Finance, Services, Advising
	41				
TÜSIAD Members	23	Owner	Professional	8	8 (including the General Secretary and one former member)
		4	3		
TÜSIAD staff	7	Two Deputy General Secretaries, Brussels Representative, Ankara Representative and Three Experts			
Experts close to TÜSIAD	3	One academic that also works as an editor in TÜSIAD's monthly publication <i>Private View</i> , one is a former journalist who now is in top management in one of the major corporations linked to TÜSIAD, and one publishes a magazine on the Turkish economy			
Academics and State officials	8	(of which one was the president of the Istanbul Commodities' Exchange, one was an advisor in the prime minister's office, one works in the Competition Board and one has written a TÜSIAD report)			

The interview data has been supplemented by primary sources from TÜSIAD. These include all the speeches delivered from 1990 to 2000 during TÜSIAD assemblies by the association's Board of Directors and High Advisory Council presidents (the two highest ranking positions in TÜSIAD), TÜSIAD's activity reports from 1975 to 2002, which cover all of the association's activities and publications, most pertinent TÜSIAD publications since the 1990s as well as articles published by the association's members in its two periodicals *Görüş* and *Private View*. These have been useful in outlining the

general direction and ideology of the association, as well as presenting a further control to the answers my interviewees gave.

In addition to these primary sources, I have gathered and analyzed newspaper articles from Turkish newspapers particularly those published in 1997 on the debates surrounding the *Perspectives on Democratization Report*. The latter have given me feedback about the reactions to the report, which was useful in situating TÜSIAD's demands in the Turkish political spectrum. Most importantly, they have presented insight about the conflicts within the association surrounding the report. As will be clear during the presentation of interview data, throughout the thesis, this has given me the opportunity to probe my informants about the nature of these disagreements.

I have been fortunate to have two previous studies conducted on Turkish business. Caglar Keyder's (1995) *The State and Classes in Turkey* traces the state's relationship to economic classes in Turkey from a broad historical sociology perspective. Ayşe Buğra's (1996) *The State and Businessmen in Turkey* is more directly linked to my topic and details how the Turkish state tradition has impacted the behaviour and organization of the private sector, including TÜSIAD and its members. This comprehensive work has been described by no fewer than three of my informants, including businesspeople, as the "last word on Turkish business". Fortunately enough, for the originality of my research, her research goes only until the 1980s. As such, I can use both her and Keyder's work as bases to contrast my observations from the 1990s. This approach has been invaluable in tracing the changes that have affected members of TÜSIAD between the two periods.

I.3.3. Comparative country cases

Rueschemeyer et.al. (1992) have stressed the need of combining case based studies, like Moore's (1962), with the virtue of more generalizable quantitative studies using a greater sample size. They achieve this by looking at a large number of comparative cases and isolating similar patterns still maintaining that a great deal of theorizing should be based on the factors presented by potentially deviant cases.

Similarly, I isolate key factors from my specific case of Turkey and TÜSIAD. However, I believe that it is useful to test the importance of these variables by focusing on other associations and country cases, which present the same level of economic development as Turkey. Comparisons to other key associations of Turkey are presented in the background chapters as well as throughout the body of the text and have relied on the publications of these associations, information by members of TÜSIAD who also are members of some of these associations, and secondary sources that have written on them extensively.

The country cases are presented in a supporting chapter, which relies on a combination of primary and secondary sources. The comparative cases I have decided to include are Argentina, Brazil, Chile and Mexico. This choice relies on the fact that all four countries are, like Turkey, middle-income countries that have undergone periods of industrialization and now have democratic regimes, despite deficiencies and the rise of authoritarian regimes in the past. These cases also present the advantage of having attracted the attention of scholars to the role that their business associations have played in their polity.

As such, there is a breadth of reliable information I have access to in order to make the comparison sound and accurate. The primary data consists of information gathered on the organization, size, interests and goals of key business associations in these countries. This information has been combined with previous research and data on the economic environment and the relationship of the private sector to the state. In doing so, I am able to assess whether the nature of the organization and the interests it represents are key factors in determining the level of militancy of the private sector, or whether this is affected by broader macro factors.

I.4. Conclusion and outline of the dissertation

To repeat, The theoretical review has found several areas of disagreement in the field, which can be summarized as follows.

First, there is some disagreement on the affinity between the needs of capital and the institutions associated with democracy. While some did point to a theoretical and empirical affinity between the rise of capitalism and democracy in Western Europe, others have pointed to their incompatibility or the existence of cases under late-development where economic conditions necessitated the rise of authoritarianism under capitalism. By looking at the relationship between the evolution of TÜSIAD member's economic needs and their demands in Chapter 4, the current thesis will therefore examine whether these positions apply to the current case of Turkey.

Second, in addition to disagreements about the exact relationship of capitalism and democracy on an instrumental level, there are some disagreements in the field about the importance of economic factors in determining political outcomes in the first place.

It was shown that some argue that regime preferences and the political stance of business lies less on its economic needs but more so on existing state traditions and the level of inclusion that the state is willing to extend to business. Chapter 5 will explore this issue by investigating more closely the relation of TÜSIAD members to the state and its role in determining the association's demands.

In so doing, these two chapters will contribute to debates about the primacy of economic versus political factors in determining both political outcomes and the situation of business.

Finally, the last disagreement is on the exact level and impact of capital's structural power. By examining TÜSIAD's demands and its determinants in these two substantive chapters the thesis will speak to that debate by demonstrating that business's structural power can make it more autonomous from the state without necessarily translating into an increased ability to influence it. These three factors and areas of disagreement will be further explored in the last substantive Chapter 6 on the comparison of TÜSIAD to business associations in four comparative cases, namely Argentina, Brazil, Chile and Mexico.

Before moving on, however, the next two chapters will give a historical background on Turkey in order to determine the factors that affect both the state tradition in Turkey, the nature of its relationship to business and how these are seen as affecting capital and TÜSIAD.

CHAPTER II: DEMOCRACY IN THE POST-1980 PERIOD, THE LEGACY OF STATE-SOCIETY RELATIONS AND BUSINESS IN TURKEY.

II.1. Overview

This historical background seeks to achieve two things. The first aim is narrower and is intended to characterize the state of Turkish democracy during the period concerned following the military junta of 1980 to 1983. While elected officials have held office, starting with the Özal government (1983-1989), and a greater number of politicians have been allowed back into active politics since then, the political system and institutions of the country have placed limits on the extent of democratization.

As such, in reviewing the system and the shortcomings of Turkish democracy I will on the one hand build a framework to better situate TÜSIAD's demands and the case of Turkey in comparative perspective.

The second, and major, task that this chapter performs is to link the current shape of Turkish democracy and its shortcomings to broader historical legacies of state-society and state-business relations in Turkey. The chapter will conclude more specifically by looking at how the nature of Turkish state-society relations has affected the shape that private enterprise has taken in the country. In doing so the chapter will provide the necessary analytical framework to understand, in subsequent sections of this thesis, the

nature of the Turkish state, its relations to business, how TÜSIAD's demands present a break from the past and how the Turkish state tradition affected the latter. To do so, the chapter will argue that the Turkish state has been strong and able to insulate itself in certain policy areas, while it has been often seen as weak and unpredictable in the areas of economic policy, which has affected business adversely. This characteristic of the Turkish state, as will be seen throughout the chapter and thesis has affected the nature of TÜSIAD and Turkish private enterprise.

II.2. Characteristics of the Turkish state and democracy in the post-1980 period

While some trace the limits of Turkish democracy on more macro historical legacies³⁰, in this first section I will focus on the more immediate institutional and legal constraints that have characterized most of the 1980s and 1990s in order to specifically outline the problems at hand. The section will end by linking these problems to the broader state tradition in order to link it to an overview of the Turkish state formation carried out in subsequent sections.

The nature of democracy in the post-1980 period can be traced to the military coup, which became symptomatic of Turkey's political tradition during the last decades and has shaped the period. The coup of 1980 occurred during a phase marked by the conjuncture of economic and political crises. Economically, Turkey was plagued by the

³⁰ See Ahmad (1993), Insel (1984), Keyder (1987), Schick and Tonak (1987) for broad historical-sociological overviews and explanations.

debt crisis, which crippled industrial production and created shortages in consumption and intermediate goods as well as an energy crisis.

This is seen as the product of economic mismanagement, the oil crisis of the 1970s and the inability of the Turkish economy to create enough revenue from trade³¹. Politically, the country was torn by conflict between extreme right and left wing factions, which led to thousands of political assassinations. Faced with the problems of the economy and social unrest, certain political parties played to these extremes in order to secure support from these organized movements. It is in this context that the IMF proposed a structural adjustment program.

However, neither the Ecevit government, which eventually resigned, nor the Demirel government were able to fully implement the program fearing social discontent. As such, the military took power in September 1980, which was Turkey's third military coup in twenty years, with the mandate to implement the structural adjustment program and institute political stability and prevent anarchy. Although, the military allowed elections in 1983, these were heavily regulated and put severe restrictions on the parties and individuals that could participate.

As such, although the military's preferred party did not win, the election of the army's economic advisor Turgut Özal and his center-right Motherland Party (ANAP) to parliament ensured some continuity of the economic program. Furthermore, the post of president was occupied by a general from the junta, Kenan Evren (1982-1989), and the military institutionalized its role in politics. These measures meant that the effect of the military lasted well past the 1990s.

³¹ See Aricanli and Rodrik (1990) for a specific account of economic policies and their problems.

Economically, these measures were accompanied with the abandonment of import substitution policies at the benefit of a more export-oriented model, a freeze on wages and limits on the powers of unions. Politically, a series of decrees and the constitution of 1982 put severe restrictions on political life³². These restrictions included the ban from politics of existing leaders and limits on the ability of various individuals and organizations to participate in politics (civil servants, academics, students, union or association leaders). Furthermore, laws guiding associational and party life heavily governed the mandate of these organizations.

In addition to being approved by the state, these movements had to uphold Atatürk's principles, work towards progress, and do not engage in any activity that could threaten the integrity of the Turkish nation, military and morals. Furthermore, they could not praise any person (dead or alive) whose opinions violated any of the above. It was further stipulated that parties or associations could not use such differences as class or ethnicity to their advantage (Özbudun, 1991 and 1993). These restrictions were also applied to the press and general population who could be persecuted by state tribunals if they made statements that violated any of the above principles.

It is within this legal framework that elected Kurdish and Islamist parliamentarians from the Kurdish People's Labour Party (HEP) and The Welfare Party (REFAH) were either imprisoned or banned from politics and their parties shut down as late as 2000 (Kogacioglu 2004).

³² It is important to note that these military decrees have power of law and the constitution makes it as difficult to overturn or change them as it is to change the constitution. The constitution also prohibits the courts of the country, including the constitution, to overturn these laws based on their anti-constitutionality. As such, they have remained in place throughout most of the 1980s, 1990s and the beginning of 2000 to 2004.

In addition to these restrictions, the military further institutionalized its power, to an extent that was unseen during the two previous coups, by increasing the power and role of the National Security Council (*Milli Güvenlik Konseyi*) and the State Security Tribunal (*Devlet Güvenlik Mahkemesi*). The first, was an executive body including the president, prime minister, minister of defense and generals representing all branches of the military, who met regularly to discuss issues relating to national security. It is further stipulated by the constitution that this body can make recommendations that the government “has to adopt.” The second is a military court where even civilians can be tried if they engage in activities that are found threatening based on the above laws (Cavdar, 1992). Commentators agree that the problem with these laws and the two institutions is that their mandate and content are fairly vague and general. While the MGK only makes “recommendations” the wording that suggests that the national assembly “has to adopt” them gives this body, and unelected military officials, legislative power (ibid.). Furthermore, the notion “threat to the nation” under various laws is a very blurry concept, at best, conducive to many activities being potentially tried and regulated by courts based on the ideological decisions of state officials, as was the case with parliamentarians from the Kurdish and Islamist parties (Kogacioglu, 2004).

The negative impacts of these laws, on paper and practice, have had on political life and the extent of democracy are unquestionable. However, to best understand their impact one has to also look at how they have affected civil society activities on a more structural level. One of the main impacts has been in giving the military and executive branches, not only wider powers, but also a forced legitimacy in the perception of society. Historically, these institutions already had considerable level of acceptance mainly

because of the military background of Kemal Atatürk and the Young Turks³³, who were perceived as the modernizing figures in Turkey. The fact that in all three coups, including the coup of 1980, the military stepped in during periods of social and political turmoil with the mandate to confer power to civilian governments once stability had been achieved, gave the military and the measures it had adopted, including the constitution, greater acceptance (Keyder, 1990).

This mechanism is also confirmed on a more comparative level by Haggard and Kaufman's (1995) study of regime transitions and economic reform. They found in a number of cases, like Brazil and Argentina, where military regimes stepped down in times of economic crisis that part of the civilian government's mandate was to undo the institutions set in place by the military. Conversely, in cases like Turkey, Chile and South Korea, where the military steps in during periods of crises, that it is better able to entrench its power in the constitution and institutions of these countries. As such, both the historical role assigned to the Turkish military and the timing of its interventions gives it some level of legitimacy and presence in the political process that remain unchallenged by society.

The second structural impact of the coup has been in eliminating the ability of certain key groups to participate in politics. The historical role played by members of the military, and as will be discussed in greater detail below, the lack of class politics in

³³ Two factors gave military officials a sizeable role in the modernization movement under the Ottoman Empire first and the transition to the Republic and the modernization project of Turkey after 1923. The first has to do with the education system under the Ottoman Empire, which made military academies and the army one of the only avenues of social attainment for reform minded individuals from the lower and middle classes. The second factor has to do with the transition from the Ottoman Empire to the republic, where the military played a prominent role because it happened during a context of war against foreign nations that controlled Turkey after WWI. For further reading on the role of the military in Turkish politics see Dunn (1979), Heper and Guney (2000), Heper and Evin (1988), Jacoby (2004), Özbudun (1966) and Sayari (1997).

Turkey meant that one of the key middle-class societal groups that previously participated in the decision making process was comprised of members of the bureaucracy (Cavdar, 1992; Heper, 1991; Keyder, 1995). Their active role in state institutions and participation in parliamentary politics presented members of this class an opportunity to affect decisions. However, the military coup has weakened this because of legal limits placed on its members' ability to participate in active politics, and the negative impact of structural adjustment package on the civil service³⁴. As such, one of the groups that traditionally could place a limit on the arbitrary power of the state is going to lose its effectiveness.

A related impact of the new laws and the way in which economic policy had been concentrated in the hands of technocrats has been to decrease the effectiveness of civil society. In addition to legal limits put on their activities, business associations and labour unions have complained that they could not reach elected officials effectively. Besides a few members of ANAP, access to parliamentarians was ineffective, as these did not have much power to affect the decision making process (Heper 1991; Waterbury 1992).

Nonetheless, the insulation of key officials from society did not bring about an expected decline in the use of political patronage and rent-seeking practices. This created the third problem associated with Turkish democracy in the 1980s and 1990s. The economic reforms did not lead to greater checks on the discretionary powers of the state and further weakened civil society. As will be seen in greater detail later, one of the problems of ISI policies were that they favoured individuals with access to the state and measures often changed arbitrarily.

³⁴ Among the factors contributing to the decline of this class are the freeze on the wages of government employees and the restructuring of the administration coupled with the concentration of economic policy in the hands of a few technocrats.

However, commentators agree that the shift to a more liberal economy created its own rent-seeking devices. Waterbury (Ibid.) states that the Özal government controlled certain funds that were unchecked by the national assembly and that could be spent however it wanted. Buğra (1995) further notes that the pace of liberalization, in terms of imports allowed into the country, tariffs and subsidies, was often adjusted arbitrarily to reward or punish specific business people's stance towards the government.

In addition to these discretionary measures, other forms of rent-seeking and political patronage emerged during and inherent to the liberalization period. Boratav (1990 and 1994) notes several types of activities on different levels of government and society. For instance, individuals close to the Prime Minister and technocrats got insider information about policies and could therefore benefit from speculation in newly liberalized foreign exchange markets, government bonds and overnight lending. As such, Boratav's study of income distribution in Turkey notes the emergence of a wealthy and very concentrated group, which is neither part of the traditional middle-classes nor involved in the real economy (Boratav, 1990).

In terms of resources controlled by society and by extension popular groups, Boratav (1994) notes that these policies and economic liberalization in Turkey did not bring about a significant deterioration of income distribution, as it has in some Latin American cases. However, one has to recognize the fact that the selective use of incentives has weakened some groups' ability to participate in politics, while it has increased the interests of others to support the government.

A populist set of measures has been the transfer in times of elections of land owned by the state (more specifically the Treasury) to individuals from popular groups that had built houses in shanty towns on state property. In addition to making some

individuals wealthy through real estate price hikes this measure has secured the support of popular classes (Boratav, 1994). An interrelated, measure has been the continued use of wage policy and State Economic Enterprises (SEEs), as an employer of last resort, in times of elections to secure the votes of the salaried population (Nas and Odekon, 1992; Senses, 1994). As such, this has further decreased the autonomy of society from the state and hurt the quality of democracy.

The democratization literature recognizes the importance of civil society organizations in the process, for the checks it places on the state and as a means to incorporate society into the decision making process. However, there is some disagreement on the exact preconditions of a strong civil society. Some (Hall, 1995) posit the need for ideological factors that foster tolerance of different groups and a certain level of autonomy from the state to ensure a diversity of views, while others (Oxhorn, 1995) focus on the economic resources controlled by civil society organizations as a precondition for effective participation.

Turkey's transition to democracy and a more liberal economy under the military illustrates that civil society has been weakened on both the ideological and economic levels. The objective limits placed on participation have both curbed the ability to formulate dissenting views and access to resources, and have insulated the state from various groups.

Throughout the 1980s and 1990s the deficiencies of Turkish democracy can be outlined as, limits imposed on participation, a political role played by the military, problems of patronage and arbitrary decision making in economic policy, and limits on the freedom of expression of various groups. The above discussion and these limits on democracy, however, are also indicative of what is recognized to be a broader and more

historical characteristic of the Turkish state in the literature. The Turkish state is insulated and is unchecked on some policy level, while lacking a similar insulation when it comes to economic policy and the ability to generate rent. In the next section I will outline what this means and link the discussion to the more historical development of state-business relations.

II.3. The Turkish State: A comparative approach

Commentators agree that the Turkish state is strong in some key areas while weak in others. More specifically, it is recognized that the Turkish state and its officials, including the military, have historically been able to impose their own model of Turkish identity on cultural and political levels by suppressing a diversity of opinions and identities. The Turkish state has further been able to insulate from popular debate questions affecting national and geopolitical concerns. However, the ability, at the same time, of various groups to gain access to rent and patronage generated by the state indicates that it is quite permeable in other areas³⁵. Some (Buğra, 1995) therefore place the Turkish state in a continuum between successful projects of state led development in East Asia and Latin American states, which have tended to fall prey to the demands of popular groups or ruling classes.

Analyses (Amsden, 1989; Johnson, 1982; Wade, 1990) have focused on East Asian meritocratic bureaucracies' ability to formulate long-term policies and insulate

³⁵ See Heper (1985) for discussions on the weaknesses and strength of the Turkish state, Keyder (1995) for the state's relations to classes and Buğra (1995) for its relation specifically to business.

their officials from pressure groups to explain their success in curbing self-interested behaviour. The lack of rent-seeking and focus on policy have enabled these states to become successful in leading society towards economic development. As such, strong states have been mainly characterized by the existence and success of their autonomous bureaucracies.

The cases of most Latin American states, on the other hand, are characterized as being weak to the extent that officials have been highly influenced by pressure groups and, as such, have led to increased corruption and slower rates of development due to the lack of coherent policy making. Political instability, in the form of regime changes and frequent military coups, is also explained by power struggles between competing groups and their shifting allegiances to various regimes.

This approach has been refined by Peter Evans (1995) to show that states are not only considered strong because they are insulated from society, but must also be what he refers to as “embedded autonomous”. In other words, successful cases of development have been autonomous enough to formulate long-term strategies, but have still consulted with groups in society to fine tune their policies. A state that is too autonomous, he further argues, is insulated from checks on the actions of government and therefore more likely to be driven by the self-interested behavior of its officials. As such, a predatory state like ex-Zaire was too autonomous, and driven by the self-interest of Mobutu and his cronies. On the other end of the spectrum, Evans recognizes that Latin American states lacked autonomy and had no choice but adjust policy according to the demands of various groups. The perfect balance is described as the South-Korean state which was capable to limit self-interested behavior, whilst still being in consultation with economic groups, thus leading to the emergence of coherent policy making.

The case of the Turkish state brings several qualifiers to all of the above categories of state power. While Turkey does have a historically insulated bureaucratic class, incidences of political patronage and rent-seeking have still been widespread. This contradiction is best solved, as suggested in the earlier paragraphs, by distinguishing policy areas and the role they play. The Turkish state and governments have used economic policy in order to distribute rent and curb popular pressures, while the cultural and political directions of the country have been isolated from such pressures. In doing so, the state was able to formulate a dominant ideology that it was able to impose on social groups, not only in the period following the coup but throughout its entire history (Heper, 1985; Keyder, 1990, (Köker 1999)).

A further distinction should be brought between the fact that economic policy has often been left to elected officials, during periods of democracy, while some of the insulated institutions of the state like courts and the military have been the defenders of the more cultural and political direction of the country. The approach to economic and industrial policy can therefore be described as being very pragmatic and driven by the short-term concerns of the state and elected officials (Buğra, 1995).

In the case of Turkey it is therefore more useful to distinguish between different policy areas instead of trying to measure the state's strength along one continuum. The more useful approach in understanding the formation of the Turkish state can be found in the framework developed by Mann (1988 and 1992) and Hall (1985), which breaks down and distinguishes between different sources of power and typologies of state. Accordingly, states can have despotic or infrastructural power. Here despotic power refers to the ability of the state to use coercion to control society, while infrastructural power refers to its ability to guide society through institutions and policies that penetrate

society. In addition this line of analysis further distinguishes four sources of power: military, ideological, political and economic.

Within this framework, the Turkish state has high levels of despotic power and is able to control ideology and the political process, while its weakness and pragmatism in economic policy prevents it from staying the course on long-term rational policies in the area of economic development. More importantly for the current study, distinguishing between the sources of power and recognizing the weaknesses of the Turkish state enables one to better understand the impact of policy on its relation with classes.

The above discussion, as well as the subsequent historical survey, also demonstrates that much can be learned from looking at the timing of the nation-building project and industrialization. Some (O'Donnell, 1978) have adopted an economic centric view to link the emergence of more authoritarian practices with the needs of economic development³⁶. However, for Turkey and other similar cases of late-development, other commentators (Mouzelis, 1986; Yavuz, 1994) have argued that Turkey has relied on arbitrary state policies and political patronage because the nation-building project started before significant industrialization.

Mouzelis (1986) demonstrates that states, which lacked resources from industrialization to build formal channels of integration, often relied on populist and clientelist measures in order to incorporate popular groups that had been mobilized due to political modernization. Yavuz (1994) concentrates more specifically on labour movements during the transition from the Ottoman Empire to the Turkish Republic, to point to the fact that the lack of industrialization had made these movements weak and, as

³⁶ O'Donnell (1978) links the emergence of bureaucratic authoritarian regimes to the need for investment and restrictions on wages at higher stages of economic development.

such, did not force the Turkish state to adopt Western European style democratic institutions to incorporate class politics.

In the next section I will, therefore, focus on both the Ottoman and Republican periods to show more clearly how this type of transition has affected Turkish politics. I will also demonstrate the tension between the different sources of power and policy areas within the Turkish state's relation to society, and comment how it has affected its relation to business.

II.4. State-society relations in historical perspective

This section will seek to outline the factors that have shaped state-society relations in Turkey, with a particular focus on business as the main group. As such, emphasis will be placed on the relationship between the political economy of Turkey and the structure of its state and society. In order to do so, the chapter will focus on six periods that are seen as particularly important in determining both the particular nature of the state in Turkey and its relations to society in general and business in particular: (1) The Ottoman Empire, (2) The transition from the Ottoman Empire to the Turkish Republic, (3) CHP's single party rule and the period of early import substitution industrialization (ISI), and, (4) The multi-party period and the more capital intensive phase of ISI.

II.4.1. The state and classes under the Ottoman Empire

Many trace the particular weaknesses and strengths of the contemporary Turkish state to the transition from the Ottoman Empire to the Republic in 1923, and to the

former's historical legacies. Particular emphasis is placed on the central role played by the state and reform minded officials, under both periods, in initiating social-political change without laying down the institutions and conditions necessary for successful capitalist growth. These can be partly traced to the *Tımar* landholding system under the Ottoman Empire (Keyder, 1990). The landholding system and structure of state-society relations were inherited from the Byzantine Empire and no great benefit were perceived in changing these existing arrangements. Most of the land belonged to the Sultan who granted usage rights to small peasants in exchange for taxes and military service. The state was able to collect resources to sustain an army and bureaucracy, while the peasantry enjoyed a fairly autonomous status (Keyder, 1995).

The maintenance of this structure, however, prevented the rise of a politically and economically dynamic system conducive both to a reform of the state and the rise of capitalism, as had been the case in Western Europe³⁷. The fact that the *Tımar* system prohibited the rise of large landholdings meant several things³⁸. First, there was no local power holders to challenge the state's rule and lead to greater political representation, as had been the case with the rise of liberal democracy in England. Second, there also was a lack of a class that could potentially move from large landholding to commercial activities (Keyder, 1990). This is further attested by Buğra's (1995) study of the Turkish

³⁷ See Moore (1967), Mann (1992), Hall (1986) and Anderson (1979) for further discussions on the Western European case.

³⁸ Buğra (1995) notes the existence of several large landholding families. As such, one should not overemphasize their absence. However, these were not as numerous and as powerful as was the case under Western European Feudalism. Furthermore, they were not the ones who formed the basis of the subsequent political and economic elite in Turkey. For further reading on the landholding system and the economic structure of the empire see Inalcık (1978 and 1996), Inalcık and Quataert (1994), Islamoğlu-Inan (1987 and 1994), Faroqhi (1995), Karpaz (2002), Keyder and Tabak (1991).

business class, which demonstrates that there are no organic ties between landholding families and the nascent commercial and industrial classes of the 20th century³⁹.

In addition to the lack of strong local power holders, the state prevented the rise of potential challengers to the Sultanate from within the bureaucracy by using the *Devşirme* system to recruit bureaucrats. Taxation was carried out by a centralized bureaucracy under the Ottoman Empire that heavily recruited and trained civil servants at a young age mainly from the Eastern European and Balkan colonies. Since their position and the privileges as a rule were not passed down to subsequent generations, the state further prevented the emergence of a group that could become strong both politically and economically.

The above observations meant that groups in society who could promote reform, or a so-called “bourgeois revolution”, for greater political representation and the institution of capitalist institutions were lacking. As such, by using Moore’s famous framework, Keyder notes (1990) that any meaningful change had to come with “reforms from above” initiated by the state. To use Mann and Hall’s frameworks, the combination of all these factors meant that society was weak politically and economically and, therefore, not conducive to the emergence of a strong civil society. This also meant that the Ottoman Empire did not face any pressures to develop its infrastructural power, as most taxes could be invested towards maintaining a strong despotic rule through the military. If we adopt a similar framework to Hall’s (1985), used in his comparison of Western Europe and the Chinese Empire, it can be asserted that the lack of economic and political change under the Ottoman Empire can be traced back to a lack of potential

³⁹ For studies on the manufacturing sector during the Ottoman period see Buğra (1995), Gerber (1988), Kafadar (1986), Keyder (1987) and Quataert (1994).

checks on arbitrary state rule. Instead of a mutually beneficial relationship that Western European monarchs had to develop with powerful local interests conducive to infrastructural and economic change, one witnesses the emergence of a state with great despotic power able to reproduce its rule by providing “justice” without having to grant rights to individuals and groups.

Most importantly, this situation is going to influence two elements essential to the current analysis. First, it is going to influence the nature of reforms undertaken both during the modernization period of the Ottoman Empire, under the Young Turks, and during the transition to the Republic. These are going to heavily influence the biases that the state has towards various policy areas. Second, it is going to heavily influence both the relative strengths of classes and their relations to the state. In order to put into context both observations the business classes stand in the structure of the Ottoman Empire has to be determined.

The *Timar* system of small peasantry was not conducive to the emergence of commercial activity, in the least to the extent witnessed in Western Europe. Besides, the control of the state on prices and capital accumulation hindered the empowering of groups involved in commercial or craft activities. Nonetheless, the right to self-rule of religious communities under the Ottoman Empire, had given greater economic autonomy to Non-Muslim minorities. As such, some of the crafts and commercial activities were undertaken by Greek, Armenian and Levantine minorities⁴⁰. Most serious studies on classes in Turkey, such as Keyder’s (1995) and Buğra’s (1995), have refuted cultural differences as the explanatory factor behind non-Muslim communities’ propensity to enter capitalist activities more often than the Muslim population. Rather, in addition to

the *Timar*, system they point to geo-political factors. The fact that most of the trade in the Empire was conducted in the Western part of modern day Turkey and that most of the trade occurred with Europe, it is believed that religious affinities may have given non-Muslim entrepreneurs an edge in dealing with foreign partners. This was definitely the case during the second half of the 19th century, when creditor countries took control of economic institutions⁴¹ to ensure that the Empire could service the debt, as foreign consulates preferred to deal with Levantines as the middlemen in their economic affairs.

The demographic makeup of the burgeoning bourgeoisie, coupled with the geopolitical situation of the Ottoman Empire have had two major impacts on the reform and transition periods from the early 20th century to the 1920s. First, the wars during this period, mainly the Balkan Wars and the war between Turkey and Greece, followed by population transfers, and the Armenian massacre have weakened the groups in society that had the potential to press for liberal political reforms needed for capitalist enterprise. Second, particularly the Armenian and Greek business classes are going to be associated with separatist nationalist movements. And as such, officials during the later phases of the Empire and the earlier phase of the Republic are going to mistrust autonomous capitalist enterprises with European connections.

II.4.2. The state and business in the later periods of the Empire

The relative backwardness of the Ottoman Empire is going to drive a reform movement in the late periods of the Empire that also heavily influenced the earlier periods of the Republic. In 1908 the constitution, shelved by Sultan Abdulhamid 30 years earlier,

⁴¹For instance the Ottoman National Bank (*Osmanli Bankasi*), which served as the central bank of the empire, was under joint French and Turkish ownership and control (Keyder 1987).

was adopted as a way to modernize the country. It also led to the emergence of the Committee for Union and Progress (CUP), the political wing of the Young Turks, who dominated the parliament from 1908 to the fall of the Empire. The movement desired to institute Western style institutions. However, it has had a limited impact on the existing broader state legacies and its relations to society. The measures undertaken by the CUP are also going to reinforce the general preference the Turkish state has towards social and cultural policies rather than economic policy.

The Young Turk and CUP ideology has been shaped by two factors. First, the movement and its members were heavily influenced by the French Revolution –after all, the movements name was also adopted from the French revolutionary slogan of *union et progrès*. They therefore believed that the modernization of the Empire would be achieved through social and cultural progress led by the state. Second, they believed that Turkey should be independent of foreign influences and as such wanted to build the nation around a Turkish identity. These observations led the CUP to emphasize social, cultural and political policies rather than economic policy. More precisely, the latter had been used as a tool to make social and cultural policies more acceptable.

The CUP and the political elite had perceived the need to create a Muslim capitalist class as part of a nationalist ideology. This was fuelled by the independence movements of Greek and Armenian minorities and Turkey's dependence on foreign economic powers, as discussed in the previous section. The absence of large landholding and Muslims involved in trade, however, meant that the state would have to be involved in the creation of capitalist enterprise.

This was achieved through direct and indirect means. The CUP followed a policy of *partenariats*, or joint ventures, between the state and private, individuals in the

establishment of manufacturing firms (Buğra, 1995, p. 67). Within this framework the state not only provided the capital for the establishment of such enterprises, but it also gave the guarantee that if individuals entered certain designated sectors that the state would take over the firm in case of economic difficulties⁴². It can, therefore, be noted that a great number of entrepreneurs in the manufacturing sector were actually recruited from the state bureaucracy and the political classes, or individuals close to them (ibid.).

The more indirect mean a Muslim capitalist class was created has been through the loss suffered by non-Muslim minorities during the war and massacres. Many Greek and Armenian families have either had to sell their properties much below the market price or have abandoned them. This represented a direct transfer of economic resources to the Muslim population and contributed to the emergence of a Turkish capitalist class.

The conditions under which this class and economic enterprises have been created have serious ramifications for state-society relations. First, given that it was created within the framework of a nationalist ideology, and also benefited from the displacement of minority groups, the Muslim capitalist class is going to embrace the dominant ideology of the CUP. And as such, the economic transformation of the Empire is not going to be conducive to the emergence of an autonomous group able to press for liberal democratic reforms. Second, the economic dependence of this group meant that its economic success was heavily dependent on the state and its policies. Consequently, it has been observed that the emerging firms of the early 20th century have not persisted in the second half, as they have been replaced by newer establishments with access to state resources (Buğra, 1995). Before we move on, however, we need to concentrate on the period of transition

⁴² One reason why these joint-ventures have been preferred as opposed to more direct state involvement is the presence of some liberal tendency within the CUP that made these more desirable than directly interventionist policies, for further detail read Buğra (1995).

between the Ottoman Empire and the Turkish Republic to fully understand how what has been presented so far impacted modern day state-society relations and business.

II.4.3. The transition from Empire to Republic and the Single-Party Regime: 1923-1946.

The Ottoman Empire had fallen during the war against occupying forces in the post-WW1 period. The national assembly, which now was active in Ankara and lead by the movement of independence, had abolished the sultanate. Following the war and the institution of the Republic in 1923, the Republican People's Party (CHP), controlled by Mustafa Kemal Atatürk and officers originating from the Young Turk movement, is going to dominate political life under a single-party regime until 1946, when open elections were held.

The CHP's single-party rule can be broken down into two distinct periods. The first, is going to be characterized by competition for power within the party, a set of cultural policies and a rather casual adherence to a certain form of liberal economic policy. The second period, however, particularly after the 1929 World economic crisis is characterized by the consolidation of the Kemalist wing's power, the formulation of a "statist" ideology and control over society, and, a tighter control of economic life as a means to secure this rule (Ilkin and Tekeli 1977; Köker 1999). Several continuities are worth noting between these two periods and preceding Ottoman Empire. Kemalism and the CHP, like their Ottoman predecessors, have had a preference towards social and cultural policy as a means to modernize the country. Furthermore, the absence of strong industrial classes since the Empire is going to prevent the emergence of class based politics and the incorporation of economic interests in policy making (Yavuz, 1994).

The first period CHP, from 1923 to about 1930, instituted a set of social and cultural policies reaching most areas of life, ranging from the latinization of the alphabet to imposing dress codes to the creation of a secular state and regulation of religious life. The historical weakness of civil society and the patrimonial legacies of the state made it easy to impose reform from above touching every aspect of life. However, during the same years, not much attention was paid to economic policy. This was, first and foremost, in line with the primacy given by the CHP to social-political change as the path to modernization. Nonetheless, one can also trace this to a liberal tendency among some of the CHP members, and also to the Lausanne treaty, which forbade the Turkish state from adopting quotas or tariffs in foreign trade after its loss in WWI. There consequently was a *laissez-faire* attitude in general towards private enterprise⁴³.

However, one can still note the use of state credits towards developing the private sector, the involvement of civil servants in business organizations, and Turkey's minority policies as contributing to the emergence of a Turkish capitalist class. As noted above entrepreneurs associated their existence with the nationalist project of the CHP and civil society was historically weak. As such, private enterprise did not have much autonomy from the state despite this period of more liberal economic policies.

The period from 1930 to the end of WW2, however, is going to present a sharp shift in the state's involvement in the economy and the interplay between the CHP's social project and its use of economic policy. During this period, the Kemalist wing of the CHP consolidated its dominance within the party. In doing so it was able to move beyond narrow reforms to adopt a broader nation-building project. The national assembly, for example, is going to abolish the Caliphate in 1926 to assert that the identity

⁴³ For an extensive review of economic policies covering the period from 1918 to 1960 see (Tezel 1982).

of the Turkish population is ethnic and not religious and in doing so accept the current borders of Turkish society (Keyder, 1990). It is going also to use state institutions, inspired partly by Mussolini's *coprorativismo*, to incorporate society into this new identity (Keyder, 1995).

Economically the world crisis of 1929, combined with the end of restrictions imposed by the Lausanne treaty, is also going to constitute a turning point in the regime. The CHP is going to abandon the more *laissez-faire* attitude to centralize economic policy. The crisis led the CHP to ideologically perceive liberal economic institutions as bankrupt and turn to other alternatives. Within this new ideological climate, the CHP turned to a wide range of prior models from Bolshevism to the implementation of List's ideas in Germany. Among the policies adopted were tariffs and quotas on imports, strict controls on foreign currency, the creation of a central bank and state economic enterprises (SEEs), and, the adoption of a five year plan project drafted by Soviet advisors (Keyder, 1990; Buğra, 1995; Ilkin and Tekeli 1977). Although, the CHP turned to the Soviet Union as a potential industrialization model, it remained faithful to capital accumulation through private enterprise (Buğra, *ibid.*).

What Kemal Atatürk and CHP officials conceived was referred to rather as *Etatism* and was intended to be a middle-path between capitalism and socialism, where Turkey's dependence on foreign economies would considerably be decreased through ISI and to do so the state would guide the economy. Relative world prices, affected by the crisis, gave the state an advantage in implementing these sets of policies. Turkey could export primary products in order to obtain capital goods for industrialization at cheaper prices than before (Köker 1999).

While the CHP remained partially committed to private enterprise, several problems with the implementation of the *Etatist* plan affected the private sector and the power of the state. First, the state's more active role in the economy was used to justify its widespread intervention in other areas of life, further weakening civil society (Keyder, 1990; Koker, 1999). Its success in the project of economic development was perceived as a way to further centralize power and also legitimize its intervention in a broad range of areas. It is around this time that CHP populism was transformed ideologically from its initial formulation "the state for the people" to "the people for the state". Second, and related to this point, because economic policy was a means to an end, the approach to economic policy was pragmatic. As such, although the private sector also supported state intervention in the economy, it could never gage the state's commitment to specific policies. The third problem, which further affected the perception of the private sector, was the general mistrust state officials demonstrated towards members of the business community.

As an example one can note measures to restrict black market activity during WW2. Instead of finding and persecuting a few guilty entrepreneurs, the state adopted stricter widespread measures that hurt the entire sector. This type of intervention, as noted by Buğra (ibid.), hurt the development of private entrepreneurship in Turkey despite policies generally supportive of industrialization. Another, and this time even traumatic, event that affected the development of entrepreneurship and the private sector's stance towards the state has been the institution of a one-time wealth tax. Local governments during WWII were given the discretionary power to collect a flat tax from particular individuals and the abuse of this authority caused a feeling of general mistrust as well as certain bankruptcies.

This measure was in line with the CHP's perception of private enterprise activity during the war, seen as profiteering from the black market and other conditions brought about by circumstances. The amount and the individuals who had to pay were decided on arbitrarily. Within this set of policies mostly Jewish minorities involved in business activities and, to some extent, even Muslim entrepreneurs that had been denounced as engaging in illicit activities by other businessmen were targeted. The event was significant on two levels. It further strengthened the position of Muslim entrepreneurs in society, in line with CHP's previous policies. However, the second and more fundamental long-term impact was to create an atmosphere of mistrust among the business community on the one hand, and against the state on the other (Keyder, 1990; Buğra, 1995).

As such, the single-party period was characterized by the formulation of a state driven industrialization policy and the emergence of a national capitalist class. However, the role assigned to economic policy and the mistrust that officials bore against the latter did not lead to significant improvement in the incorporation of economic interests within the state. Rather the approach to the private sector was ad hoc, pragmatic and seen as fulfilling a role within the wider nation-building project, which was still perceived as being cultural. During the period one can, therefore, more clearly see the dichotomous nature of state polity in Turkey: it seeks to reproduce its control over politico-cultural aspects of life by using economic policy as a tool.

II.4.4.The transition to multi-party democracy and experiments with liberalism: 1946-1960.

The CHP's neglect of economic interests is going to fuel a democratization movement within the party headed by former Prime Minister Celal Bayar, Adnan Menderes, and several other deputies after WWII⁴⁴. These are going to demand the domestic application of rights covered by the UN charter, eventually break from the party and form the Democrat Party (DP) to participate in the first free general elections of 1946. But most importantly, the DP is going to gain a parliamentary majority in the general elections of 1950 with 88% of the electoral vote, which guaranteed Bayar the position of President and Menderes that of Prime Minister. The success of the party was ensured by the support it gained for its liberal policies from rural agriculturists and the business community and the support it received from the masses for its promises of democracy.

The success of the DP based on economic liberalism helps illustrate several problems with the previous CHP policies. As seen above, the CHP's arbitrary approach to economic policy never let it gain the trust of the business sector. In an attempt to solve this problem the CHP had created by law an umbrella organization, the Turkish Union of Chambers and Commodity Exchanges (TOBB), in 1950 to incorporate formally representatives of all industrial and commercial chambers into the decision making process. However, the role of this semi-formal institution was very limited and was

⁴⁴ For an exhaustive review of economic policy in the post-WW2 period see (Ilkin and Tekeli 1974).

perceived as political manoeuvring rather than real commitment to business (Heper, 1991, p. 15).

The DP's ideological commitment to private enterprise and liberalism, however, did enable it to gain support from some members of this class (Buğra, 1995). The other problem with the CHP was its approach to rural sectors of society. The CHP's industrial policies protected unproductive producers, increased the price of goods produced by SEEs, and, heavily taxed imported industrial goods. On the other hand, however, it artificially kept the price of agricultural products low in order to gain foreign exchange through their exportation. As such, the agricultural sector, which still employed 75% of society, witnessed its relative income deteriorate during the period (Keyder, 1990). In so doing, the CHP failed to incorporate and appeal to the rural sectors, giving the DP an opportunity to gain their support.

From 1950 to its overthrow by a military coup in 1960, the DP followed a more liberal economic policy than the CHP. It loosened controls over agricultural prices, liberalized the import of some goods to help manufacturers move into the production of domestic goods, and heavily invested in infrastructure to further promote production, such as transportation networks. The early years of the DP's rule was accompanied by an international economic climate favourable to Turkish exports. Within the first three years the prices of primary products, such as wheat and minerals that Turkey was exporting increased. This generated further investment in these sectors, leading to a 50% increase in the land that was brought under cultivation.

The general rise in income had created a favourable perception towards the DP's program of liberalization, and led society to enthusiastically buy into its promise of creating "one millionaire in every neighborhood". However, this economic climate ended

during the second half of the 50s when world agricultural prices decreased. The DP continued its policy of increasing the income of rural areas by buying their production at above the market price. Combined to the DP's investments in infrastructure, this led to increased debt and inflation (Keyder, 1990). As such, the DP policies were actually crowding out industrial production.

It is around this time also that Industrialists are going to be faced with what Buğra (1995) refers to as the “paradox of Turkish liberalism”. While some in the business community are going to view the DP's commitment to private enterprise favourably compared to CHPs general mistrust, DP never decreased the size of government in the economy nor did it lead to considerable increases in industrial investment. Furthermore, the DP also used the control that the government had over economic incentives to coerce members of the private sector to support the party. One can observe this in an infamous episode in Turkish business and political history, as reported in the introduction and also by Buğra (ibid.). The founder of the largest Turkish corporation, Vehbi Koç, was forced to refute his CHP membership after receiving threats from the DP. Buğra notes that he had no choice but to bend to DP's demands, as he was aware of the need to maintain close relations to government in order to remain successful in business.

In its stance as well as in its policies, the DP ended up focusing mainly to a rise in income and not necessarily in creating an environment favourable to entrepreneurship. Buğra (ibid.) comments that, after all, the DP's slogan was not “an entrepreneur in every neighborhood”, but a “millionaire”. The end of DP's rule came in 1960 after it was brought down by a military coup and its key officials were sentenced to either life in prison or death for violating the constitution and attempting to form a dictatorship. This occurred following severe restrictions that the DP tried to put on the freedoms of speech

and assembly in response to widespread protests and opposition to its policies, some of which came from key intellectuals and students. When these restrictions further fuelled protesters, the military stepped in to curb civil unrest. In January of 1961 the military junta named its administrative board as the Committee for National Union (*Milli Birlik Komitesi*) and along civilian constitutional law professors drafted a new constitution, giving rise to what sometimes is referred to as the “Second Republic”.

II.4.5. The Second Republic , return to ISI and state-society relations from 1960 to 1980.

In this section, I am going to mainly limit the presentation to the broader aspects of state-society relations of the period in order to avoid lengthy repetitions. The details of economic and industrial policies adopted by post-1960 governments are discussed in greater detail in the first section of this chapter, as well as chapter 4 on how the interests of large business were shaped during the period. As such, I am not going to write on the specifics of ISI policies readopted by civilian governments after the coup. For the current endeavour, however, only the more general direction economic policy took are worth emphasizing and remembering.

The military coup and constitution of 1961 were aimed at tackling one key problem of previous governments and regimes, namely their inability to incorporate most segments of society. In doing so, they recognized the dichotomy of the Turkish state and the lack of attention previously paid to economic policy as a tool to incorporate society. Within this framework there was an attempt to build a more Western European style corporatism to give representation to business and labour. To do so, the state reaffirmed

its commitment to industrialization as a means to solve distributional conflicts (Senses 1994). The constitution of 1961, therefore, foresaw the creation of the State Planning Agency (DPT)⁴⁵ and the adoption of “five year development plan”s along ISI policies.

However, there were several problems with these measures, which made them ineffective in achieving a Western European style corporatism. First, labor and business unions, such as TOBB, were not granted formal political power (Heper, 1991). Second, the measures adopted under ISI and the structures of SEEs, as will be seen in chapter 5, led to the concentration of industry. As such, the industrialization project did not affect all segments of society and economic incorporation was limited (Keyder, 1990). Third, the measures did not achieve much in ameliorating the business environment in Turkey. While large business, as will be seen below, benefited greatly from ISI policies, the growth of SEEs, the fact that the planning agency was controlled by the more Nationalist Kemalist wing of the state (Keyder, 1990) and that it was never clear whether the plans were only indicative or mandatory contributed to mistrust about the exact boundaries of state intervention and control (Buğra, 1995).

Consequently, the attempt to incorporate economic interests was by and large a failure. This can be seen as being in line with the general framework built to understand the Turkish state, that its emphasis on ideological tenets makes it pragmatic and weak in the area of economic policy. This general trend can be based on two factors surrounding the post-1960 period. One aspect of the coup was the military’s conviction that the DP had moved away from Kemalist ideology⁴⁶. As such, the 1961 constitution reinforced its commitment to Kemalism and Turkish nationalism. The other problem, which can also

⁴⁵ *Devlet Planlama Teşkilatı*.

⁴⁶ For example, for many years the CHP emphasized that the DP’s electoral success rested on its policies to appeal to the religious segments of the rural population and not its economic policy (Keyder, 1990).

be linked to the failure to incorporate economic interest, was that elected officials could rely on the support of disparate segments of society. More specifically the existence of small commerce and crafts, as well as small farmers, created a pool that parties could tap into through political patronage and populist policies (Keyder, 1995). In that sense, economic policy and state resources were often used by civilian governments to distribute short term rewards through direct charismatic rule and clientelistic networks. This hindered the coherence of long term industrial policies and the formal incorporation of interests within the state (Keyder, *ibid.*). By keeping the formal ties that civil society has to the state weak, these measures also insulated the more ideological measures from popular contestation. Strengthening the latter is the longer term impact of the 1960 coup which, as was hinted to in the first section, made army intervention in Turkish politics a legitimate defense of dominant ideology. This further reinforced the division between policies in which the state is considered strong and insulated from policies in which it is considered weak (Heper, 1985). As was seen in the first section, this aspect of the Turkish state and governments persisted well into the 1980s and 1990s.

II.5. State Tradition, industrial organization and the behaviour of Turkish capital.

Before concluding this historical overview, I would like to discuss how the Turkish state tradition affected industrial organization and the behaviour and ideology of business more closely. Again, I will only focus on the link in very broad and general strokes to avoid repetitions with subsequent chapters, particularly with chapter 3 on how state intervention affected the economic interests of large business in Turkey.

In her analysis of state-business relations in Turkey up to the 1980s, Buğra (1995) investigates how state intervention has hindered entrepreneurship in Turkey and affected the development of industrial organizations. In doing so, she also asserts that cross-country variations in the level of entrepreneurial behaviour and industrial organization cannot be linked to such things as cultural differences, but more so to state policy. She illustrates that the central role played by the Turkish state in allocating resources towards industrialization, and the way it has done so, greatly shaped the nature of capitalist enterprise in the country. The specific impact of the state on capitalist enterprise and the behaviour of businesspeople can therefore be drawn from arguments developed in previous sections.

First, the state has subsidized industry directly and indirectly across most periods. Given the lack of a strong capitalist class and large landholders, the private sector has been dependent on the state for investment across most periods. Second, as was demonstrated, the state and governments often used economic policy pragmatically to secure support. This, according to Buğra (Ibid.) created a great deal of uncertainty both about the state's or government's long-term commitment to specific measures and about the bureaucratic procedures on how to obtain benefits under these policies. Finally, and related to the previous point, state and elected officials periodically demonstrated mistrust towards the private sector, and the boundaries of the state's role in the economy were never defined clearly. To remember, one can note uncertainties surrounding the role that five-year plans played in the economy, or again the wealth tax levied very arbitrarily from members of the private sector during WWII.

These have affected the entrepreneurial class and its establishments in several major ways. The most important development has been the prevalence of family owned

and controlled Holding companies in the large manufacturing. These are organizations that own different firms over a wide range of industrial activity, and in some cases that also control financial institutions. As will be shown in greater detail in chapter 3, the diversity of activities was a response to the uncertain business environment on the one hand, and was the product of the privileged access to state aid that already established institutions had. In other words, diversification occurred because it was easier for established entrepreneurs to enter new industrial activities, and it also ensured some profitability in the face of changing economic conditions and policy.

Family control of these Holdings, instead of increased professionalisation of the entrepreneurial function, is mainly due to the advantage that personal ties give in an environment where most of the decisions taken by officials were arbitrary. In such an environment professionals, according to Buğra, lack the necessary connections to gain advantages from the state and navigate complex bureaucracies. As such, there had previously been no pressure to establish formal ties between the state and business from which professionals would stand to gain more than influential families.

A surprising feature of these Holdings, despite their associations to specific families with connections to state officials, is the fact that they are fairly recent and that most do not have roots to firms existing before WWII⁴⁷. This can be explained by, and reinforces the notion that, the survival of private enterprises in Turkey was really contingent on the state resources they were capable of securing (Buğra, *ibid.*; Keyder, 1990 and 1995). This, combined with the ambivalent stance of the state towards private enterprise, further prevented the rise of an autonomous capitalist ideology by forcing

⁴⁷ See Table 3.2 in chapter 3 for detailed years of establishment.

businesspeople to feel a need to support the dominant state ideology and justify their existence in terms of their contribution to the country rather than profit motivation.

Consequently, it can be said that the nature of state intervention in Turkey created a set of conditions both favourable and unfavourable to large business. Family controlled large Holding companies have been historically able to thrive because of their privileged access to the state. Within this framework, they did not feel compelled to become more professional nor seek to have more formal relations with the state. However, the arbitrary nature of state intervention made them heavily dependent on the privileged access they had obtained.

Furthermore, as was seen above, the Turkish state is able to insulate some elements of its policies and also gain the support of a number of groups in society through patronage. As such, despite a privileged access to the state, large business has not been always able to influence state policy (Keyder, 1995). This observation confirms comparative work on business in similar cases of late-development where it is observed that the business community is weak, to the extent that it lacks autonomy from the state, yet structurally more powerful than most groups in society (Bartell and Payne, 1995). In the next chapter, I will further explore these issues by focusing more specifically on the history of TÜSIAD.

II.6. Concluding remarks

Two general observations can be drawn from this review about the Turkish state and the problems of democracy. . First, while some institutions of the post-1980 period are democratic, most of the period has been characterized by legal, institutional and

socio-economic factors that prevent the rise of full democracy. As hinted in the introduction and will be outlined in the next section, TÜSIAD's activities during the 1990s have targeted these deficiencies.

Second, and most importantly, the military coup and the deficiencies in democracy that Turkey has inherited have been shown to be largely shaped by the legacies of previous periods and the nature of the Turkish state. More specifically, the chapter has demonstrated that the Turkish state has adopted a top-down and particularistic form of rule, mostly due to the historical weakness of civil society and the legacies of the Ottoman period and single-party rule. Furthermore, the state has used this form of rule to place much emphasis on modernization through social and cultural policies than on economic policy, which it has used much more pragmatically in order to incorporate groups whilst managing to stay insulated in these areas perceived as key to development.

These observations, particularly the state's relations to classes and business, can be linked to the broader literature reviewed in the previous chapter. It was shown that the officials' pragmatic approach to economic policy had given advantages to businesspeople that did have informal access to particularistic channels of the state. However, this has also increased the level of uncertainty associated with economic development and has inhibited the development of formal channels of inclusion. Therefore, most of Turkey's history, even including the post-1980 period, has been characterized on the one hand by top-down interventions to remedy the inadequacies of existing channels, and on the other by a business class too dependent on a state that did not grant classes formal representation.

This suggests that the literature that was inspired by Moore and saw in the weakness of the capitalist class and the process of development an obstacle to the

adoption of a pro-democratic ideology is partly correct. Nonetheless, the case of Turkey also illustrates that the state tradition and the manner in which it has incorporated groups greatly shapes the interplay between the political and economic spheres and the behaviour of the capitalist class.

As such, the substantive chapters, as well as the next background chapter, which mainly focuses on TÜSIAD, will therefore investigate whether business has been able to move away from this type of relationship and how the state tradition has affected the association's demands.

CHAPTER 3: HISTORICAL BACKRGOUND II; TÜSIAD’S HISTORY, ORGANIZATION AND ACTIVITIES

III.1. Introduction

In this chapter I will give more descriptive background information on TÜSIAD as an association and its demands on several different levels. It is important to note that this background chapter will avoid any lengthy theoretical explanations or discussions, which are more appropriate for subsequent chapters. The description of TÜSIAD’s stance and activities will remain sensitive to some conflicting views in the literature about such things, among others, as a tension between the advantages that its individual members have gained as representatives of large capital and the ambivalent nature of the Turkish state towards private enterprise noted in the previous chapter. However, the main thrust and logic of the review remains that of background for more substantive chapters.

As such, the first section will concentrate on the reasons put forth by commentators on TÜSIAD’s creation in 1971 by the largest industrialists in the Turkey. This section will be followed by reflections on developments affecting the association’s member composition, and will give evidence to suggest that TÜSIAD has always been, and still is, representing the interests of large Istanbul based industrial establishments. The third section will focus on TÜSIAD’s formal organization and some of the rules governing it. This will give a clearer idea of how the interests of its members are articulated, and more specifically of how TÜSIAD decides to publish specific reports as one of the primary vehicles in fulfilling its aims.

This presentation will be followed by a more substantive description on how TÜSIAD's demands and activities have evolved from its creation to the more pro-democratic stance it has taken in the 1990s. The fifth, section will also focus on TÜSIAD's activities but with specific emphasis on the *Perspectives on Democratization* report it had published in 1997. The analysis of the report's content and the way it has been presented by TÜSIAD will illustrate that the association posed a challenge to the Turkish state and its key political institutions, as they were described in the previous background chapter. In doing so, this chapter will illustrate how meaningful of a break from the past TÜSIAD's activities have been. The chapter will then end with a cursory glance of other Turkish business organizations to note that this specific TÜSIAD's stance had indeed been unique in addition to presenting a break from tradition.

III.2. Large capital and TÜSIAD's creation in 1971.

TÜSIAD was founded in 1971, when 12 leading industrialists signed a Founders' Memorandum drafted by Vehbi Koc. They were joined by 86 other large industrialists mostly from the Istanbul region on August 2, 1971 (Arat, 1991, p. 137). In doing so, it was a voluntary and fairly small association that the founding and subsequent members chose to represent their interests. This was done in addition to the already existing semi-formal organizations, such as the Istanbul Chamber of Industry (ISO), the Turkish Union of Chambers and Commodities' Exchanges (TOBB) and the Turkish Confederation of Employer Associations (TISK), of which they already were mandatory members of⁴⁸.

⁴⁸ *Istanbul Sanayi Odasi, Türkiye Odalar ve Borsalar Birliği, and, Türkiye İşverenler Sendikaları Konfederasyonu*, respectively.

Membership to TÜSIAD was, and still is, on an individual and not company or sectoral basis. The aim of the association was initially stated as: “promoting development through private enterprise within the principals of a mixed economy and Atatürkism” and it was added that “free enterprise is the foundation of economic life and the guarantee of democracy” (TÜSIAD, 1975).

The reason behind TÜSIAD’s creation must be understood along two parallel axes. First, TÜSIAD’s founding members set out to increase the legitimacy of private enterprise as an acceptable activity and path towards development. As was seen in the previous chapter 2, the stance of the state and governments towards private enterprise had been ambivalent throughout the Republic and the boundaries of state intervention never clear (Bugra, 1995). Although, Keyder (1990) notes that most state measures since the 1950s ended up favouring large business, the ideological and economic climate of the 1970s had generated further ambiguities (Bugra, Ibid.). The Ecevit controlled CHP had moved towards a more social democratic ideology and had reiterated its commitment to *Etatism*, while the state increased the importance of SEEs in the economy and developed five year plans.

The private sector was not so much bothered by the role of the state, as can be attested to by TÜSIAD’s commitment to a mixed economy in its mission (TÜSIAD, 1975)⁴⁹. The problem, as noted in the previous chapter, had to do with the pragmatic approach towards the policies and the uncertain boundaries between the private and public sectors. Furthermore, businessmen felt that they lacked ideological and cultural

⁴⁹ In the same study Bugra (Ibid.) further notes that large business was not even bothered by social democracy. One of Bugra’s interviewees, reflecting on the period, saw benefits to social democracy and voiced concern more specifically about the arbitrary nature of the state. My own interview with TÜSIAD’s General Secretary, revealed that he traced the lack of a well functioning democracy to the historical lack of a true left wing party in Turkey (Tükel 2002).

legitimacy in the eyes of the public during the period (Bali 2002; Bugra, 1995)⁵⁰. As such, the first purpose TÜSIAD was founded can be traced by large industrialists' need to carve an acceptable role and stable situation for themselves.

The second reason TÜSIAD emerged when it did was the growing divergence in the interests of large industrial establishments and smaller scale firms. Bianchi (Bianchi 1984) notes a tension between the interests of a handful of large industrialists and the mandate of formal organizations like regional chambers of industry and TOBB, which represent thousands of firms of diverse sizes and activities⁵¹. Bugra (Ibid.) further supports this claim by pointing to the outcome of industrialization policy, which mainly affected a limited number of larger firms making up the industrial sector. These became growingly concerned with long-term investment and planning, as opposed to short-term interests.

Arat (1991) therefore defines this conflict and the inadequacies of previous organizations as being caused by the new needs of large industry. These establishments, she notes, demonstrated a growing need for foreign exchange and credits to invest in more capital intensive activities, when compared to the rest of the economy and were more favourable to the trade liberalization. This pitted them again TOBB and ISO members who were more protectionist and did not have the same investment needs.

The other conflict, Arat notes, existed between members of large industry and the employers' union TISK. Large establishments active in the production of consumer durables were already paying higher wages than more commercial establishments. They also wanted to see wages increase in order to expand the domestic market and, therefore,

⁵⁰ Interview data collected for the current dissertation also confirms the lack of legitimacy of business, see chapter 5 of this thesis for further quotes.

⁵¹ As will be shown in subsequent chapters this information is also supported by some of my interviewees.

found TISK's anti-labour attitude too harsh. However, the political weight that individuals carried within these organizations was not proportional to their structural importance, as thousands of private establishments were represented and each had an equal vote.

It can therefore be said that TÜSIAD was created by the representatives of the larger Holdings, because it was seen both as necessary to establish and legitimize the role of large capital in Turkey and as the most appropriate vehicle for the articulation of its needs. As will be seen below the member base of TÜSIAD and its structure confirms that it has remained so throughout the years.

III.3. Member composition

Membership to TÜSIAD grew from 141, in 1975, to close to 500 in 2001 (TÜSIAD, 1975 and 2001). This increase has inevitably led to growing diversity in the membership composition of the association. As several interviewees reminded me, TÜSIAD is not a "monolith" (Dicle 2001; Dicle 2002; Eczacıbaşı 2001; Özel 2001; Paker 2001). Many second and third generation younger businessmen and industrialists have joined TÜSIAD over the 1980s. These are either the children of existing members from family owned establishments or new capital owners. The new members with no organic ties to TÜSIAD have mostly joined with the inclusion of representatives from the rapidly growing, outward oriented and dynamic textile industry (Arat, 1991, (Anonymous-2 2001)). A change that is as, if not more, meaningful has been the inclusion of professional managers and advisors as members. There is also, as will be seen below, some ideological diversity within TÜSIAD. Many of my interviewees referred to the

“liberal” and “conservative” wings of the association acknowledged explicitly and implicitly during my interviews (Alaton 2001; Dicle 2001; Erkin 2002; Orçun 2001; Özel 2001).

Despite growing member diversity within TÜSIAD, in terms of size of firms represented through individual members and their professional background, the association still represents the interest of those linked to larger corporations. This has been revealed in several of my interviews, and outside observers close to TÜSIAD members have qualified it as an association representing the interest of larger Istanbul and Marmara Sea based holdings to this day.

The importance of these establishments can both be measured structurally and in terms of direct influence within TÜSIAD. Structurally, the association had 215 members in 1985 (TÜSIAD 1985) and these, according to Arat (1991, p.137) were responsible for 80% of the production and employment generated by the top 100 Turkish firms. In 1997, 223 companies and holdings linked to TÜSIAD members employed a little more than 370 000 workers and produced about 40.9% of the value added in the Turkish manufacturing, construction and banking sectors (TÜSIAD 1997a). As such, the member’s firms surveyed not only represented an important segment of Turkish manufacturing but also represent an important portion of TÜSIAD.

Influence within the association is also exercised through member selection. In the case of members from smaller firms and professional background, it was noted that their interests were also linked to larger capital (Basaran-Symes 2002; Betil 2001; Betil 2002; Keyder 2001; Orçun 2001; Özel 2001). Furthermore, voluntary membership tends to draw like-minded individuals even in cases where no organic ties exist to large holdings (Basaran-Symes, 2002).

This is reinforced by the fact that membership criteria is subjective. According to TÜSIAD regulations, a prospective member has to be recommended by two existing members and approved by the board of directors (TÜSIAD 1996c). However, there are no formal conditions for membership and, as noted by Arat (1991), this only reinforces the ties of members to large capital. As noted above, professionals or the owners of smaller enterprises are present because of some relation to larger groups present within TÜSIAD.

Many professionals in large holdings have been introduced by their employers and in the case of smaller firms they are the ones who provide services –such as consulting, auditing and capital goods- to larger holdings. Hence, during our interviews, Oktay Varlier and Tugrul Erkin gave accounts of how it was the large owners of holdings they were, or had been, working for as professional executives that had introduced them to TÜSIAD (Erkin 2002; Varlier 2002). Similarly, Cansen Basaran-Symes (2002) emphasized that it was her position in PriceWaterhouse-Coopers' Turkey office and the services she had offered to large holdings that lead her to become a member. In general my interviewees agreed that the introduction of members from professional background had brought diversity views and expertise about more specific issues, but that the general direction of TÜSIAD did not change much⁵².

The political influence of larger members is further reinforced by two factors in the internal functioning of TÜSIAD. First, elections to key offices are not competitive and are reached through consensus. All members present at General Council meetings vote to give their approval to a list of candidates to key positions in TÜSIAD. This single

⁵² During interviews Ebru Dicle and Tugrul Kudatgubilik confirmed that the contribution of professionals has been mostly felt through their expertise about specific technical issues (Dicle 2001; Dicle 2002; Kudatgubilik 2002).

list, however, is determined through informal consensus between the larger Holdings (Arat, 1991; Dicle, 2001). Four interviewees, who should be left anonymous for this statement, complained that TÜSIAD was not democratic enough internally and that most of the key decisions were taken by individuals close to larger Holdings. A more optimistic view, however, is that consensus and voluntary membership ensures that most individuals are in agreement with the associations' general direction (Arat 1991).

The second factor, related to the previous point, is the fact that permanence in TÜSIAD's policies are ensured through continuity in offices and roles (Opçit.). As will become clearer, when the organization of the association is described below, continuity is ensured by recruiting the Presidents of the Board of Directors from previous members of the board. Furthermore, the presidents eventually continue on to become members of the Higher Advisory Council.

Consequently, it is important to note that TÜSIAD's activities have been linked to the interests of larger capital within it and guided by the decision of original members. One such development, directly relating to continuity and that will be dealt with in greater detail in subsequent chapters, has been the election of the younger generation to key positions since 1988. During our interview Bülent Eczacıbaşı (2001), who now controls Eczacıbaşı Holding and was president of TÜSIAD in the early 1990s, confirmed that if the younger generation and him had been elected it was because the older generation had made a conscious decision to let them take over. In other words, most of the key developments affecting TÜSIAD do reflect the will of original members and large holdings.

The above observations can be confirmed by the following two tables (3.1 and 3.2). The first one reveals that the most influential holdings politically, as ranked by one

of my interviewees, supply a large number of members to TÜSIAD. Given that TÜSIAD has about 500 members, it can be seen that these supply close to 10% of TÜSIAD members. It should be remembered, however, that members who are not formally linked to these also provide services to these holdings, or were qualified as having similar concerns.

Table 3.1: Representation of large Holdings within TÜSIAD, as of 2000.

Name	TÜSIAD member since	Number of members in TÜSIAD
Tekfen Holding AS	Founder (Berker)	3
Alarko Holding AS	Before 1975	3
Eczacibasi Holding AS	Founder	4
Koc Holding	Founder	13
Enka Holding	Before 1975	4
Sabanci Holding	Founder	12
Borusan	Before 1975	3
TÜSIAD total		500

As predicted, the table also confirms that the large holdings have been linked to TÜSIAD for a long time. Specific families were either founders of TÜSIAD or have been members since the 1970s. Given that not all members participate actively in TÜSIAD it is also important to further investigate the proportion of members from large holdings, which have held key positions in the association. The second table reveals that families linked to holdings have supplied the most Higher Advisory Council and Governing Board presidents and vice-presidents throughout TÜSIAD's history. The

founders of the association and their family members have been, as confirmed by the table, heavily represented within TÜSIAD.

Table 3.2: TÜSIAD leaders 1975-1999

Date	The Higher Advisory Council Presidents, Vice-Presidents and Honorary Members (Honorary members' and president's names are the first names listed).	Governing Board Presidents and Vice-Presidents (The name of the president is listed first)
1975	Vehbi Koc, Nejat Eczacibasi , Sahap Kocatopcu, Rasit Ozsaruhan	Feyyaz Berker , Can Kiraz
1976-1978	Vehbi Koc, Nejat Eczacibasi, Sakip Sabanci , Rasit Ozsaruhan	Feyyaz Berker , Sinasi Ertan
1979	Vehbi Koc, Nejat Eczacibasi , Sinasi Ertan, Sahap Kocatopcu, Sakip Sabanci	Feyyaz Berker, Rahmi Koc , Ali Kocman
1982-1984	Vehbi Koc, Nejat Eczacibasi , Sinasi Ertan, Sahap Kocatopcu, Sakip Sabanci	Ali Kocman, Rahmi Koc, Asim Kocabiyik
1985	Vehbi Koc, Nejat Eczacibasi, Feyyaz Berker , Sinasi Ertan, Sakip Sabanci	Sahap Kocatopcu, Osman Boyner , Fahir Ilkel
1987-1988	Vehbi Koc, Nejat Eczacibasi, Sakip Sabanci, Feyyaz Berker , Melih Ozakat, Sahap Kocatopcu	Omer Dinckok, Cem Boyner , Fahir Ilkel
1989-1990	Vehbi Koc, Nejat Eczacibasi, Sakip Sabanci, Rahmi Koc, Feyyaz Berker , Melih Ozakat	Cem Boyner, Bülent Eczacibasi , Halis Komili
1991-1992	Vehbi Koc, Nejat Eczacibasi, Sakip Sabanci, Rahmi Koc, Feyyaz Berker, Asim Kocabiyik , Melih Ozakat	Bülent Eczacibasi , Halis Komili, Guler Sabanci
1993-1994	Vehbi Koc, Sakip Sabanci, Rahmi Koc, Feyyaz Berker, Asim Kocabiyik , Sinasi Ertan	Halis Komili, Guler Sabanci , Muharrem Kayhan
1995-1996	Feyyaz Berker, Asim Kocabiyik , Sinasi Ertan, Bülent Eczacibasi	Halis Komili, Guler Sabanci , Muharrem Kayhan, Sinan Tara
1997-1998	Bülent Eczacibasi , Sinasi Ertan, Inan Kirac, Guler Sabanci	Muharrem Kayhan, Sinan Tara , Tuncay Ozilhan, Aldo Kaslowski
1999	Bülent Eczacibasi , Sinasi Ertan, Inan Kirac, Guler Sabanci	Erkut Yucaoglu, Tuncay Ozilhan, Inan Kirac, Guler Sabanci
Bold: Members with direct family and ownership ties to the most influential Holdings in Turkey. Bold: Honourary members. Sources: TÜSIAD (1975 through 1999) <i>Annual Activity Report</i> .		

III.4. TÜSIAD's internal organization

To study the effectiveness of TÜSIAD as an organization, it is appropriate at this point to study its structure and how it has evolved over the years. In this section I will therefore focus on the different TÜSIAD organs and their activities. Given that the primary vehicle for the association's views has been publication of various reports and periodicals, as well as press releases and meetings with politicians, specific attention will be further paid to how these activities are coordinated.

Since 1971 TÜSIAD has been made up of two bodies elected through consensus: the High Advisory Council (*Yüksek istisare konseyi divanı*) and the Governing Board (*Yönetim Kurulu*) (TÜSIAD 1996c). The board to the higher advisory council is made up of previous presidents of the Governing Board, while the Governing board is elected every two years by the members of TÜSIAD. Their functions have been described to me as determining the broad ideological direction of TÜSIAD for the advisory council and carrying the functions of the executive in the case of the governing board (Dicle, 2001; Orçun, 2001). There are four important meetings every year in TÜSIAD where decisions about the direction of the association are taken. TÜSIAD members meet twice a year during general assemblies and two more time a year during higher advisory council meetings. As can be inferred from the previous passage, the first set of meetings focus more on budgetary issues and day to day activities of TÜSIAD to reach its goals, while the last two are really intended to debate the ideological goals of TÜSIAD. Every two years the general assembly also elects the board of directors (TÜSIAD 1996c).

The most publicized activities, namely research and publications, were up until 1996 carried by and large by work groups. These were made up of TÜSIAD members, but mostly of outside experts or professionals linked to TÜSIAD members' organizations (Dicle, 2001). These were organized on ad hoc topics depending on the line the association wanted to pursue. Since 1996 research, publications and activities in key areas have been made more consistent, and, membership participation in them has increased due to the creation of permanent commissions in eight main areas to take over the activities of work groups (TÜSIAD 1996b).

Under this new structure commissions are responsible of liaising with the appropriate outside agencies on issues pertinent to their mandate and conducting research and publishing in different areas under the guidance of the Governing Board (TÜSIAD 1996b). They differ from work groups on two major points. First, they are constituted of TÜSIAD members and the heads of these committees are drawn from members of the board of directors. TÜSIAD members wishing to participate can do so based on the recommendation of the head of the committee and the approval of the governing board (Dicle, 2002). Second, they are formed around permanent activities and do not change with the issues the association chooses to investigate (TÜSIAD 1996b).

These commissions, and the areas they operate in, have been mostly modeled after the structure of the Union of Industrial and Employers' Confederations of Europe (UNICE) of which TÜSIAD is a member since 1987 (Dicle 2001; TÜSIAD 1996b)⁵³. Accordingly the following commissions have been created in 1996: Foreign Relations, Economic Research, Relations with Trade Organizations, Parliamentary Affairs,

⁵³ As such, the councils can be seen as not only contributing to the regular domestic activities of TÜSIAD, but also as helping coordinate its activities with UNICE that has become a channel of representation for TÜSIAD within the EU.

Industrial and Firm Affairs, Social Politics Research, Technology and Quality Management (TÜSIAD 1996b)⁵⁴. In addition to being centred on permanent issues, the qualitative change they have brought, as noted above, is that they are headed by a member of the Governing Board and work with member participation and input. As such, we find that approximately a hundred members out of five hundred had participated in their activities in 1997 (TÜSIAD 1997a). As such, one of two Deputy General Secretaries, Ebru Dicle, noted that the formation of these commissions ensured increased member participation on the one hand, and some continuity in the association's affairs on the other (Dicle, 2001).

The reports published by TÜSIAD have also been impacted by these commissions. Reports are typically overseen by these commissions, based on the recommendation of the board of directors, or suggestion from members of the commission. Furthermore, the head of the commission decides on the content of the report and the experts it should be written by. The board of directors then approves the report. Though, no report can be published without the approval of the governing board, individual members have some level of autonomy regarding their content. This has helped increase the scope and content of issues TÜSIAD deals with. Reports on subjects such as gender equality and income distribution in Turkey have been published following the individual effort of one TÜSIAD member working on the social issues' commission (Dicle, 2001). The report on democracy, though written based on a decision taken by the board of directors, was commissioned and closely supervised by Can Paker, and to a certain extent Ishak Alaton, who are closely associated with the pro-democratic wing of

⁵⁴ The *Perspectives on Democracy in Turkey* report, as well as other work relating to political reform has been for the most part carried under the auspices of the Parliamentary Affairs commission.

TÜSIAD. These reports are then approved by the Governing Board and become finalized and published under the name of TÜSIAD.

Some reports, like the one on democratization, do create controversy within the association. However, TÜSIAD has made it its policy to support the reports it publishes without reservation. Thus, the democracy report was supported by TÜSIAD despite some disagreement about its content and timing (Eczacibasi, 2001; Orçun, 2001). This is meaningful because it enables TÜSIAD to maintain some level of coherency over time and to bring forth the views of specific members into the forefront.

An additional change in TÜSIAD has been the fact that the committees are now coordinated by the council of harmonization with the EU, that tries to coordinate the activities of TÜSIAD and the political reforms it presses for in accordance to the criteria needed for full membership into the EU. As such, the current period can be characterized as one where TÜSIAD has accepted and presses for the need to enter the EU.

These developments have also been paralleled by the increased professionalization and internationalization of TÜSIAD through the expansion of its permanent staff. TÜSIAD is today characterized by a general secretary and two deputy secretaries, who coordinate its activities and above all lead permanent departments in the very same areas as the new commissions (TÜSIAD 1975; TÜSIAD 1996b; TÜSIAD 1997k; TÜSIAD 1998d; TÜSIAD 1999c; TÜSIAD 2000e; TÜSIAD 2001). In so doing, young experts and the deputy general secretaries offer logistic support and research to facilitate the activities of the eight commissions⁵⁵. This stands in sharp contrast to the

⁵⁵ I had the chance to meet and interview most of these experts, who were all young, had obtained undergraduate or masters degrees in the social sciences or had worked in the private sector for a few years. They were all very knowledgeable about Turkey's political economy and really had a grasp of my thesis

TÜSIAD of the 1970s and early 1980s described to me by one of its earliest presidents Feyyaz Berker; a period where there was no permanent staff to coordinate the activities and alleviate the burden of TÜSIAD officials (Berker 2002). This has, for one thing permitted TÜSIAD to achieve more coordinated activities, and is also expected to make official posts within TÜSIAD less time consuming and therefore more appealing to a larger pool of TÜSIAD members (Ibid.).

An Ankara office and two international missions with permanent staff have also been added to this structure, one in Brussels the other in Washington DC. These have enabled TÜSIAD to plan more permanent activities not only vis-à-vis the state in Turkey, but also geared towards EU membership in Brussels and building trade relations with the US in Washington. The Brussels office was established in 1996 to “Mediate the relationships between the Turkish private sector and the European Union, and, help incorporate considerations about a European dimension into TÜSIAD’s agenda”. Within this framework, the Brussels mission has participated in UNICE activities and has coordinated meetings between EU and TÜSIAD officials (TÜSIAD 1997k). In addition the mission has also worked to provide information and data to members of both the EU and TÜSIAD to promote economic activity and facilitate the work of TÜSIAD commissions.

topic on a conceptual and practical level. One of them had even completed a master’s degree with a thesis close to the one I was doing, but with a different data set and theoretical framework.

III.5. TÜSIAD activities from 1971 to 2000

Given that TÜSIAD traditionally represents the interest of large capital, there are some disagreements on its exact ties to the state, and hence its effectiveness as an autonomous civil society organization throughout its history. Some do acknowledge TÜSIAD's opposition to and tensions with the state (Bugra, 1995; Arat, 1991). Others, on the other hand, have pointed to the structural position of TÜSIAD members to assert a natural lack of commitment towards meaningful state reform (Milor and Biddle 1997; Sönmez 1988). I think that the first set of observations is more accurate, but that the two should be taken into account in order to understand the development of TÜSIAD activities and ideology during this review.

Two further points are worth mentioning to understand the evolution of TÜSIAD activities and its stance. First, the association is not constrained by formal representation or obligations, like other organizations such as chambers of industry or TOBB. Second, the relative diversity of interests and views within TÜSIAD has created some disagreement within the association throughout its history. Arat (1991) notes two such conflicts during the 1980s: between large manufacturers who were able to live with inflation and small manufacturers that perceived it as a problem, and, between textile producers who were leaner, more flexible and wanted to liberalize trade quicker than other manufacturers.

This is also confirmed by my interview with an expert from TÜSIAD:

While most industrialists would want state protection, textile producers want less state intervention. Some state policies will favour importers and others exporters. As a result [TÜSIAD members] cannot press for specific policies (Anonymous-2, 2001).

My interviewees have also revealed further splits within the association, as will be discussed in subsequent chapters. Nonetheless, it is widely agreed in the literature (Arat, 1991; Bugra, 1995) and my interviews that TÜSIAD never wavered from the reforms in the interest of capitalist enterprise. Soli Ozel (2001), an academic who also is the editor of *Private View* (a periodical published by TÜSIAD) characterized TÜSIAD's demands and move towards democratization as a steady path that was periodically interrupted by cyclical reactions towards the associations general aim. This view has further been confirmed by informants such as Eczacibasi (2001) and Paker (2001). Mehmet Suhubi also dismissed opposition to reforms as a disagreement about the pace rather than the content of the reforms (Suhubi 2002).

It is consequently possible to isolate three very broad periods in TÜSIAD's history. The first, sought to promote and extend the role of the private sector during the more state led period of ISI in the 1970s. The second, period is more difficult to characterize, as it is marked by what Bugra (1995) notes as the "paradox of Turkish liberalism". It can be characterized by TÜSIAD's overall agreement of the liberalization measures and commitment of the Özal government to the private sector, coupled with conflicts about more distributional issues such as access to resources and government crowding out of private investment (Bugra, Ibid.; Arat, 1991). The third, which is the

entire topic of this thesis, is clearly a period where TÜSIAD tackles the more social and political aspects of Turkey, its state and economic system.

During the initial period spanning from 1971 to 1975, TÜSIAD's activities and publications targeted predominantly the economic sphere and did not tackle political issues much. TÜSIAD published reports and held panels on the Turkish economy and five year plans proposed by the state (TÜSIAD 1975). This was done to legitimize the role of private enterprise and try to have a say in the longer term industrialization project as asserted by Bugra (1995). From the middle to the end of the 1970s, however, TÜSIAD went beyond promoting the acceptability of private enterprise as an activity to stress the need for economic liberalization. This period can be characterized as one where TÜSIAD started to press for certain demands more actively and became more involved politically. The timing of this can be directly linked to the debt crisis and economic mismanagement discussed in the previous chapter (Bugra, *Ibid.*; Arat, 1991).

Although TÜSIAD's publications still revolved around economic issues, however, one major change was that it also published figures in its activity report comparing the performance of its members to that of the state in areas such as productivity, employment created and contribution to value added (TÜSIAD 1977; TÜSIAD 1978; TÜSIAD 1979). In so doing, it went beyond legitimizing private enterprise to illustrate that it could also be more efficient than the state.

A more meaningful change was that in conjuncture, TÜSIAD expressed the need for economic liberalization and supported the economic stabilization measures promoted by the IMF in various press releases. The most noticeable of these were the four full page newspaper advertisements that TÜSIAD published to criticize the reluctance of the then prime minister Ecevit in the full adoption of the IMF measures. The advertisements

stressed that arbitrary state intervention, bad governance and corruption went against democratic rights and led to increased poverty (TÜSIAD, 1979). The inability of Ecevit to implement the reforms and the atmosphere of political unrest that reigned the country eventually led to his resignation.

This specific succession of events which led to the military coup has led some to comment that TÜSIAD was to blame for having campaigned against Ecevit, and as such precipitated the military coup (Sönmez, 1988). It is this specific episode that leads scholars to disagree about the true nature of TÜSIAD. While Arat and Bugra (Ibid.) see this as the product of tensions between the state and business due to the latter's dependence and lack of legitimacy during the period, others like Sönmez (1988) see it as a sign that TÜSIAD members were structurally powerful and would be willing to support a military coup to reinstate order.

The period following the coup was one of relative decline in the activities of the association. TÜSIAD reverted back to its predominantly economic activities and did not follow through with the previous rise of its activities centring on politics. This can be explained by the fact that TÜSIAD supported the economic reforms promoted by the IMF and adopted by the military, but also due to the fact that the new constitution and political environment was generally unfavourable to the activities of civil society. As was mentioned in the previous chapter, legally all institutions with the status of association, such as TÜSIAD, were barred from participating in political activity (Özbudun 1991). It is therefore natural to note a decline in the formal activities of TÜSIAD.

Informally, however, TÜSIAD is going to witness the rise of its most vocal president Sahap Kocatopcu, who criticized publicly the government. This, according to my interview with Alp Orçun (a former journalist and an executive at Eczacıbaşı Holding

who knows TÜSIAD well) was one of TÜSIAD's first and most significant break from the state in the 1980s (Orçun, 2001). According to Arat (1991) the vocal disagreements between Kocatopcu and the Özal government was a struggle over the availability of cheap credits, which industrialists needed to stay competitive, made rare by government over-spending and their uses by public enterprises. This struggle, illustrates Bugra's (1995) argument about the paradox of Turkish liberalism well. On the one hand business favours the Özal government over its liberalization measures and its emphasis on private entrepreneurship, but on the other hand it is hurt by government spending.

If the first half of the 1980s can be characterized as a relatively inactive period for TÜSIAD, the period spanning from 1989 to today is going to be one of heightened participation in the political sphere and meaningful ideological change. This period also marks the passing of the torch from leaders of the older generation to second generation businessmen in key positions within TÜSIAD. As was mentioned in previous paragraphs, this was a conscious decision on the part of the older generation. More specifically, the decision was made because the founders felt that the younger generation would be abler to oppose the state and press for reform (Eczacibasi 2001; Orçun 2001). The period started with the presidencies of Ömer Dinçkök and Cem Boyner. Boyner's term was predominantly characterized with an increase in reports and activities dealing with economic issues. The difference, however, was the greater emphasis put on reindustrialization, following the liberalization period, and the emergence of political themes and activities in the backdrop such as visits to the South Eastern regions of Turkey (TÜSIAD 1989).

These issues came to the forefront under Bülent Eczacibasi and Halis Komili's terms from 1991 to 1996. During their term, TÜSIAD published reports on civic rights,

privatization, local government and optimal state, and, TÜSIAD was in 1993 the only mainstream organization to press for the liberalization of Kurdish as a language in Turkey (TÜSIAD 1991; TÜSIAD 1992a; TÜSIAD 1993; TÜSIAD 1994; TÜSIAD 1995c). Furthermore, the decision to commission a report on democratization was taken under Komili's period in 1995 (Dicle 2001; Orçun 2001; TÜSIAD 1995c).

A parallel field of activity during the period has been to also try to reform the private sector. In addition to the desire to tackle issues dealing with the state and its policies, TÜSIAD began also to focus on corporate governance. In 1992 it translated and published a code on business ethics, which will also be incorporated in its constitution in 1996 and used to revoke the membership of two members that had had corrupt dealings with the state [most of the interviewees prided themselves in excluding unethical businessmen from TÜSIAD] (Bayraktar 2002; McHugh 1992; TÜSIAD 1992a; TÜSIAD 1996b; TÜSIAD 1996c).

These activities culminated in the publication of the *Perspectives on Democracy* report in 1997, which will be discussed further below, followed by a series of panels on the subject. The report was followed by widespread controversy across society and within TÜSIAD. Most segments in society and the state, such as the military and some political parties reacted strongly against it. Their objections lied either on the timing of the report or on specific issues ranging from the role of the military to religious education in schools. Reactions to the report within TÜSIAD have also shown that there were serious splits within the organization between the conservatives and the liberals. Some influential businessmen like Sakip Sabanci have hailed the report as something that TÜSIAD should be proud of and give its support to, while others such as Rahmi Koç have implied that they would not have permitted its publication had they been aware of its

content. Despite these splits, TÜSIAD has made it its practice to stand united on the issues it deals with. As a result, TÜSIAD backed up the report. However, the period following its publication can be characterized as one where the conservative wing has managed to soften the tone of TÜSIAD and its criticisms towards the state. Nonetheless, TÜSIAD continues to lobby the state and parliament regarding key changes in the constitution.

A parallel development to the controversial reports of TÜSIAD and its heightened political activities has been the increased visibility of its individual members on the political scene. Cem Boyner, for instance, became the leader of the YDH, a political party, which according to economist Mustafa Sönmez is “an elitist center-right movement followed by broken hearted rightists and leftists and by discriminated minorities, Kurds and Alevites” (sited in Inter press service global.factiva.com/en/arch/print_results.asp accessed 5/31/2005). The article further notes that Boyner had publicly denounced “the arrest of Kurdish deputies and the ‘terror lobby’ which he claims is responsible for ‘extra-judicial executions’ and calling for the release of ‘criminals of conscience’.” Cem Boyner also embodies the break of the business elite from the state well: “I am the existing order by definition, but I thirst for change.”

A similar, and equally visible development, in 1996 has been the fact that a state prosecutor sought to indict Sakip Sabanci with allegations of separatism when he published a report promoting increased government spending in the South East region’s social and economic development. Sabanci responded by publishing a second edition of the report in book form (the wall street journal europe, 1996, global.factiva.com/en/arch/print_results.asp accessed 5/31/2005). Two of my interviewees, who should be left anonymous, pointed to the existence of speculations

about the state being behind the murder of Sakip Sabanci's younger brother Ozdemir Sabanci within that same year as punishment for his attitude. Whether these suspicions are sound or not, one can still point to the fact that such comments do indicate a precarious attitude between large business and the state.

The following table tracing the evolution of TÜSIAD publication content confirms the above discussion. During the 1970s, TÜSIAD published close to 50 reports directly relating to the economy, only 9 on purely, political issues and 16 on topics that cover both. The 1980s is going to witness a drop in the number of reports, mainly due to restrictions brought to associational life and TÜSIAD's agreement with the general policy direction of the country. As suspected, the 1990s is going to be characterized by an increase in the interest for purely political issues. While TÜSIAD only published 18 reports on economic issues, it published 25 in total on a wide range of political issues⁵⁶.

⁵⁶ For a complete list of TÜSIAD publications please see the appendix.

Table 3.3: TÜSIAD activities and reports

Period	Key Developments	TÜSIAD Publications by content		
		Economic	Political	Mixed
1974-1979	Publication of adds criticizing the Ecevit government and urging for economic liberalization.	49	9	16
1982-1989	-Ali Kocman and Sahap Kocatopcu voice opposition to economic policies of the Özal Government. -TÜSIAD joins UNICE in Europe.	23	1	12
1990-1999	-Second generation businessmen are chosen president. -TÜSIAD visits the South East region and president Cem Boyner is interrogated by the state prosecution. -The <i>Perspectives on Democratization in Turkey</i> report is published. -TÜSIAD presses for EU membership.	18	25	20
Source: (TÜSIAD 1975; TÜSIAD 1976; TÜSIAD 1977; TÜSIAD 1978; TÜSIAD 1979; TÜSIAD 1980; TÜSIAD 1981; TÜSIAD 1982; TÜSIAD 1983; TÜSIAD 1984; TÜSIAD 1985; TÜSIAD 1986; TÜSIAD 1987; TÜSIAD 1988; TÜSIAD 1989; TÜSIAD 1990b; TÜSIAD 1991; TÜSIAD 1992a; TÜSIAD 1993; TÜSIAD 1994; TÜSIAD 1995c; TÜSIAD 1996b; TÜSIAD 1997k; TÜSIAD 1998d; TÜSIAD 1999c)				

Consequently, one can note a clear increase in the interest the association has in tackling extra-economic problems. For a more qualitative review of this shift, I turn to a brief overview of the content found in TÜSIAD's *Perspectives on Democratization in Turkey* report.

III.6. Perspectives on Democratization in Turkey

The perspectives on democratization report (PDR) was commissioned in 1996 by TÜSIAD's board of directors, under Halis Komili's direction, and was published in January of 1997. Though, of all the TÜSIAD reports, it was the one that led to the most

infighting within TÜSIAD and reactions from various groups and individuals in society, it is neither the first nor the last report or attempt by TÜSIAD to tackle problems relating to the political system and democracy in Turkey. Rather, it is a continuation of TÜSIAD's attempt to adopt a greater political mission, and it is part of reports and discussions commissioned by TÜSIAD's board of directors since the early 1990s.

“The second half of the 1980s showed that the establishment of a free market economy in all its dimensions was dependent on the legal and institutional structure of the country. In the same period political instability emerged as one of the main obstacles to economic and social development. Moreover, it was widely agreed that a stable free market economy was only possible within a participatory, pluralistic democratic system. Thus, attention was focused on the factors slowing down the economic and social development of the country and those factors which were rooted in Turkish history, in its institutions and political culture. Within this framework, TÜSIAD, while formulating necessary economic strategies for the Turkey of the next millennium, also tried to strenuously to point out to the deficiencies of the existing political structure (Board of Directors 1997).”

However, it was under the Komili, and subsequent, administrations that these efforts became more frequent and systemic. Reports and conferences in a series set forth by the Komili administration include in addition to the PDR: "Human rights", "The State of Law and the Judiciary", "Discussion on the electoral system and the two round system", and "quality in the judiciary". Other related reports include: "Towards a new state model in the 21st century: the optimal state", "Individual income distribution and Poverty in Turkey", "Walking towards gender equality; education, work and politics" and several reports assessing the efforts which have been made to meet EU membership criteria⁵⁷. In addition the PDR has been followed by a series of reports assessing the

⁵⁷ For examples see TÜSIAD reports touching on a vast range of political issues (TÜSIAD 1992b; TÜSIAD 1992c; TÜSIAD 1995a; TÜSIAD 1995b; TÜSIAD 1995d; TÜSIAD 1996a; TÜSIAD 1997b; TÜSIAD 1997e; TÜSIAD 1997h; TÜSIAD 1997i; TÜSIAD 1997l; TÜSIAD 1997m; TÜSIAD 1998b; TÜSIAD 1998e; TÜSIAD 1999a; TÜSIAD 2000d)

discussions surrounding the original report and subsequent developments in the area of democratization, published every two years.

These efforts had been preceded by less frequently and systematically published reports such as: "Our Laws and Rights", a document about the constitution submitted to the president of the national assembly, and a document on the restructuring of public administration and the electoral system. As such, in terms of reports published and the evolution of TÜSIAD, the publication of PDR should not necessarily be characterized as being a radical break from the past. Nonetheless, it is groundbreaking in several aspects. First, even though some of the issues it covers were previously raised by TÜSIAD, it still remains the first comprehensive attempt to list the deficiencies of political democracy in Turkey. Second, it is preceded by a foreword, entitled "A Call for Democracy", written by Halis Komili and signed by the Board of Directors. The Board of Directors, does not customarily introduce the reports published. Furthermore, the foreword implies that TÜSIAD embraces the push for democratization as a mission (Orçun, 2001).

"TÜSIAD aims to define the democratic infrastructure necessary for Turkey both for attaining the level of developed Western countries and for achieving economic and political stability. Since it is not a political institution involved in the race to power, TÜSIAD's starting premises are not determined by political convenience. Democracy for TÜSIAD as well as for Turkey is not a matter of conjuncture, but rather one of principle (Board of Directors 1997)."

"A broader-based democracy will certainly not result from this study, nor will it be realized by TÜSIAD alone. This can only be achieved by those who adopt the perspectives put forward in this document and who are willing to come together to reach an agreement on the details. Thus it would be possible only by the concerted efforts of groups such as: non-governmental organizations, trade unions, professional bodies, industrialists and businessmen's associations, whose struggle would be reflected in the Parliament by political parties. After all, if we decide that 'now is not the right time, or it is not our job' then we, as the true sovereigns of this land, who authorize politicians to represent us in the Parliament, we as members of civil society organizations should ask ourselves this question: If not us - who? If not now – when (Board of Directors 1997)?"

It is this foreword that led to much of the debates between the "liberal" and "conservative" wings of TÜSIAD (Orçun, 2001). Although the report's publication respected the normal procedure, it was commissioned by the Governing Board, coordinated by the head of the Parliamentary commission Can Paker, and, signed and approved by all members of the Board of Directors, it was the first time that a report was preceded by such a foreword. Consequently, "conservatives" such as Rahmi Koç and Asim Kocabiyik, claimed that it should have been brought to the approval of all members before its publication, as the foreword constrained TÜSIAD to stand behind the content of the report as a political mission. My interviews with the deputy secretary general of TÜSIAD and Can Paker reflect, however, that the decision to be more active in the area of democratization and the publication of DPR had been deliberated and taken in previous General Assembly and Higher Advisory Council meetings (Dicle, 2001; Paker, 2001). As such, they claim that the DPR should not have come as a surprise to TÜSIAD members. If the foreword to the report has seen the opposition of some TÜSIAD members, and has lead some commentators to argue that TÜSIAD was embarking on a new mission, the content of the report has lead to much controversy and debate within and outside TÜSIAD. "I remember when we presented the report to our members half of the room were standing up, applauding and congratulating us, half of the room was still sitting down (Alaton 2001)."

Though the report recognizes many dimensions to democratization, it constrains itself to its political dimension, including human rights and "state governed by the rule of law" as democracy's necessary components. The format and content of the report is confined to "identifying the main legal obstacles to democratization and at proposing solutions (TÜSIAD 1997j)". As such, it is a survey of various laws and the obstacle they

pose for democratization and the standard adopted for democracy, as a basis of comparison, has been Western European liberal democracies. Can Paker (2001) described the process during the interview: "We just took several cases and compared them to Turkey. For each law, we illustrated their deficiencies. It was actually a very boring task. It was not as bold as people claimed it was. In my view we did not go far enough."

The report is divided into three main sections, the "political dimensions" of democracy, "human rights, and, the "state of law". The first section on the political dimension deals with political parties, elections, the Grand National Assembly of Turkey, the system of government, "civilianization" and public administration. The section on human rights discusses the general principles of human rights, personal inviolability, liberty and security, intellectual freedoms, collective freedoms and the Kurdish question. The last section on the state of law includes discussions on the freedom to claim rights, issues of judicial review, independence and impartiality, and, general proposals, and as such will not be treated here as it is not as significant as the first two (TÜSIAD 1997j).

In general the report criticizes the overly loaded language of legal documents, seen as restricting the freedoms of individuals and collectivities. The constitution and legislation imposes certain ideological goals, such as Kemalism, on the activities of various groups. The other overarching deficiency underlined by the report is that, when not loaded, the language of legal documents define, enumerate, and thus, restrict the activities of groups such as political parties and unions. The report generally proposes that ideologically loaded languages and strictly defined limits be replaced by a terminology that is not as restricting to individual freedom and principle of democratic competition (TÜSIAD 1997j).

The first section, therefore, seeks to make proposals that lift restrictions on political parties based on their programs and ideology. While the report recognizes that parties should adhere and accept principles of democratic competition and the Turkish state, it proposes to lift restrictions on party activities and ideology. As such, the report recommends lifting such laws as those that impose certain narrowly defined goals such as "progress" on parties. In addition the report makes proposals that would further democracy within the parties themselves, through measures affecting the election of leaders. The parts of the section that have raised much controversy, however, deal with the issue of "civilianization". The report proposes that the constitutional function of the National Security Council be abolished, and be replaced by another organ that ensures the control of the military by the Ministry of Defense. Currently, the National Security Council is part of the executive and has power of recommendation on the National Assembly, and as such expands the sphere of influence of the military (TÜSIAD 1997j).

The second section that deals with human rights comprises many issues. The proposals dealing with individual rights generally take universal principles of democracy and human rights, to propose that restrictions be lifted and that Turkey adheres to these principles and also the international treaties it has signed. In terms of freedom of religion, more than the freedom of worship the report stresses the need for a freedom of atheism or laicism. TÜSIAD's approach on this issue has been vastly criticized by the Islamist press. However, the report points to mandatory religion classes at school and the mandatory statement of religion on identification cards, as restricting the sphere of non-religious individuals in Turkey. The section on collective freedoms seeks to underline and suggest improvements on the restrictions imposed on freedoms of association and on the activities

of existing groups. Among other things, the report is against banning unions from engaging in political activities (TÜSIAD 1997j).

Some individual TÜSIAD members, as was seen in the previous section, have been vastly criticized for its open stance on the Kurdish question. The report proposes to move from a less ethnic definition of citizenship to a more territorial one. As such, it underlines the fact that expressions such as "Turk" or "Turkish" in the constitution should not be taken or interpreted as ethnic but more so as territorial. In addition it seeks to replace expressions such as "mother language" by a less restricting and legal terminology such as "official language". In doing so the report recognizes the existence of different ethnicities, cultures and languages within the territory and, therefore, recognizes the existence of minorities and their rights (TÜSIAD 1997j).

These passages help demonstrate that TÜSIAD's demands can be considered radical, especially in the context of Turkey, where the state has isolated these areas out of public debate. The rest of the thesis will, therefore, try to understand where TÜSIAD gets the power to tackle these issues in the first place and why it feels the need to tackle them in the second place. Given the historical weakness of capital in Turkey and existing state-society relations, the thesis will try to examine how TÜSIAD members have changed.

III.7. Other business organizations

The above discussion illustrated that TÜSIAD overtime has shown increased interest in democracy. This next section will briefly outline that TÜSIAD is different than other business organizations in terms of these more political demands. The discussion does not seek to be an analysis that clarifies why TÜSIAD members as

opposed to others pressed for these issues because the specific interest of the former, their position vis-à-vis the state, and TÜSIAD's success as an organization will be discussed in greater detail in subsequent and more substantive chapters.

As noted earlier there were three main organizations that members of TÜSIAD are linked to as industrialists, employers, and individuals from the business community: ISO, TOBB and TISK. However, there are two key differences between these organizations and TÜSIAD. First, the legal framework for their creation was laid out by the state (Keyder, 1991; Bugra, 1995) and, as such, their activities are also guided by semi-official concerns. Second, as was noted by Bugra (1995), and my interviewees large capital is under represented in these institutions as the membership base is also wider due to these legal obligations. As noted by Kudatgubilik in our interview:

Both Arcelik [the consumer durables firm owned by Koç Holding] and an Arcelik dealership in Istanbul are represented by TOBB and ISO (Kudatgubilik 2002).

As such one would suspect the activities of these organizations and aims to be different than TÜSIAD. I will, therefore, briefly review their history and focus on their mission and activities in terms of publications towards the end of the 1990s.

TOBB's legal status as the private sector's higher trade organization and legal representative was defined by law in 1950. This was an attempt according to Keyder to bring a more corporatist structure to society under the CHP and DP periods, as was seen in the previous chapter (Keyder, 1990). As such, it is an umbrella organization that represents 364 regional chambers of commerce and industry as well as local commodity exchanges. TOBB is guided by five main bodies, which are democratically elected by members: the General Council, the Council of Chambers and Commodity Exchanges, the

Governing Board and the Higher Disciplinary Board. The General Council has more than a thousand members elected for four years by the assemblies of local chambers and commodity exchanges. The members of the Council then elect TOBB's president and fourteen members to the Governing Board. The official status of TOBB, its role and membership composition constrains its activities to a great deal when compared to TÜSIAD.

TOBB's mission is stated as "Ensure solidarity and union between chambers and stock markets, to promote the development of trade and industry in a way that is compatible with general welfare, to facilitate the professional activities of its members, to protect professional discipline and ethical conduct in order to promote honesty and trust in the relationships of members to each other and the public." It is as such more instrumentalist than TÜSIAD's mission, which sought to define a more political role for the association⁵⁸.

The official status of TOBB and its more instrumental nature affects its activities as well, the councils that represent the organization, such as the Foreign Economic Relations Department is concentrated in activities that relate more to the promotion of its members abroad and as a source of information, such as holding trade registries. TOBB also controls institutions with specific semi-official roles, such as the Turkish Institute of Standards that distributes certificates of quality to firms. There are no bodies similar to TÜSIAD's Parliamentary Affairs Commission, which had published the reports on democratization. The only institution linked to TOBB, which at the time of the study was fairly visible in terms of political activities, was the Economic Development Association

⁵⁸ TOBB www.tobb.org.tr, accessed June 5, 2005.

(IKV) that helped coordinate the activities of the private sector in lobbying the EU for Turkey's membership (Orçun, 2001).

Furthermore, TOBB has around a million private businesses as its membership base. Given that the bodies at the Union are chosen democratically, the interests of not only large Holdings, but also entrepreneurs close to them is therefore not as represented as it is in an association by TÜSIAD. This and the formal nature of TOBB, was given by the few interviewees I discussed the issue with as the prime and very basic reason why TÜSIAD was the preferred channel to press for the changes they wanted. This view is also confirmed by Bugra (1995) who notes that periodically TOBB did try to take against the state to protect private enterprise, however, she further argues that fear of reprisal often led TOBB presidents to soften their tone when there was a change in government and the risk of losing state aid. Similarly, ISO was created in 1952 to represent manufacturing from the Istanbul region within the more corporatist structure established by the state and TOBB. As such, its functions were also confined by law. What made the situation even more problematic from the perspective of these two organizations was that the state never gave them real political power in terms of affecting the decision making process. Consequently, the representation of TOBB within the state and ISO within the umbrella organization have not truly been corporatist and did not have a meaningful impact (Heper, 1991).

As for TISK, it was created in 1962 as the sole legal representative of employers at the national level (Keyder, 1990; TISK, 2005). This was part of the 1960s military junta's attempt to draft a constitution that would incorporate classes and their interests in the constitution and political system (Keyder, Ibid.). Within this context TISK represents various employer unions in its dealings with state institutions such as the social-economic

council or the ministry of labour that set minimum wage and labour policies (Cizre 1991). Consequently, like ISO and TOBB, TISK's functions are also defined by law. Furthermore, in terms of its ideology commentators have pointed to the fact that the union has been traditionally more conservative than TÜSIAD (Arat, 1991; Bugra, 1995). Indeed, as noted previously, one can note that TÜSIAD was critical of TISK's harsh stance towards unions in the 1970s, and this pattern continued in the 1980s when unions complained that the Military and Özal governments had adopted most of TISK's recommendations that seriously crippled union rights (Cizre, 1991).

Consequently, Onis (2002) notes that TÜSIAD was the only business organization in Turkey that promoted democratization as actively and radically. He further notes in another study written by Onis and Türem (2001) that TOBB has made some periodic attempts to tackle controversial issues such as the Kurdish problem, but that these have not been as marked as TÜSIAD's activities. This is also confirmed by the following table 4.4, which comprises these organization's publications and mission statements. For the sake of comparison the table also contains information on the Autonomous Industrialists' and Businessmen's Association (MÜSIAD)⁵⁹ created in the 1990s. This association is an interesting comparison on several levels. First, like TÜSIAD, it is not constrained by legal obligations and duties. As such, one would expect its activities to be less instrumentalist than ISO, TOBB or TISK. Second, the association when compared to TÜSIAD is made up of not only Istanbul based firms, but includes a wider spectrum in terms of region and size of establishments represented. Third, the association drew attention because it promotes the fact that it is a Muslim association. The play on its acronym has even led some academics to mistake it for the "Muslim's" and not

⁵⁹ *Müstakil Sayanicelerve Is Adamlari Dernegi*

“autonomous” businessmen’s association. Consequently, one would suspect this to put it in conflict with the secular state and its institutions. However, as noted by Onis (2002) in contrast to TÜSIAD, this association has also been less vocal on political issues. Furthermore, MÜSIAD has tended to concentrate on collective rights, in line with its more Islamist ideology, more so on liberal democracy the way TÜSIAD has done (Onis and Türem, 2001).

Table 3.4 Key Turkish Business Organization’s Missions and Sample Publications during the 1990s.

Name	Mission	Sample Publications
TÜSIAD	<p>“a) Committed to the universal principles of democracy and human rights, together with the freedoms of enterprise, belief and opinion, TÜSIAD seeks to promote the development of a social structure which conforms to Ataturk’s principles and reforms, and strives to fortify the concept of a democratic civil society and a secular state of law in Turkey. TÜSIAD believes that industrialists and business people perform a leading role in Turkish society and acts on this conviction.</p> <p>b) TÜSIAD aims to establish the legal and institutional framework of a market economy and ensures the application of internationally accepted business ethics.</p> <p>c) TÜSIAD 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.</p> <p>d) TÜSIAD 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.</p> <p>e) TÜSIAD, 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.</p>	See previous sections
TISK	<p>“-Maintain peace in the labour life,</p> <p>-Pursue free enterprise and liberal market economy concepts,</p> <p>-Enhance the international competitiveness of enterprises and economy,</p> <p>-Promote production, productivity, investment and export,</p>	<p>Flexibility in labour life (1999)</p> <p>Unemployment insurance, active employment policies and private employment offices (2000)</p>

	<ul style="list-style-type: none"> -Safeguard and develop productive employment and reduce unemployment -Improve bipartite and tripartite cooperation, -Increase vocational training and lifelong training opportunities of workforce and forge a link between training and employment, -Strive for Turkey's integration with the modern world through accession to the EU." 	Women's employment in newly developing regions (2001).
TOBB	<ul style="list-style-type: none"> "-ensuring unity and solidarity between chambers and commodity exchanges -enhancing development of the professions in conformance with general interest -facilitating professional work of members -promoting honesty and confidence in the relations of members with one another and with the general public -preserving professional discipline and ethics" 	<ul style="list-style-type: none"> -Published a report on the South East in 1994. -The economy of waist -Europe's regional policy and development funds: Evaluation for Turkey. -The impact of China on the WTO.
ISO	<ul style="list-style-type: none"> "-Inform the Turkish industry about its current and future needs trough education and consultancy services. -Increase the competitiveness of Turkish industry and contribute to the development of the country." 	<ul style="list-style-type: none"> -The Turkish Economy Report -Annual top 500 firms report.
MUSIAD	<ul style="list-style-type: none"> "-First on condition of global value and with respect to the history of our nation and respectful to her culture and identity with the aim to protect our national and international independent structure -To fulfil the economic development of Turkey and to bring the effort to (take) our country in the rang of developed countries; for this aim to make necessary preparations to constitute a free economic market, -To increase the business volume of our members; for this goal to make the necessary support with information material to improve and sustain their competition capacity in national and international market. -With an understanding based on high technology and productivity, to have an organization essence for international standards and to be sensitive against environment. -To support the righteous as if it is weak and to be against injustice as if it is much strong. -Obtaining to activate and widespread the entrepreneur soul in all phases of economic activities, based on free initiative -To consider the needs of humanity and the sources of the country, to produce continuous, permanent and useful projects and to make all the necessities to bring these projects in to live. -To pioneer for an effective production in the global market, to bring together the investor, producer and project holder." 	<ul style="list-style-type: none"> -Regional and Sectoral Problems Research. -The Turkish Economy towards negotiations with the EU.
<p>Sources: TÜSIAD, http://www.TÜSIAD.org/english.nsf/Frameset%20VI?OpenFrameSet, accessed on June 5, 2005; TOBB, http://www.tobb.org.tr/, accessed June 5, 2005; TISK, http://www.tisk.org.tr/hakkinda.asp?id=503, accessed June 5, 2005; ISO, http://www.iso.org.tr/iso_arastirmahizmetler.asp, accessed June 5, 2005. MUSIAD, http://www.musiad.org.tr/yayinlarRaporlar/yayinlarRaporlar.asp?k=5, accessed June 5, 2005</p>		

Note: The organizations own English translations have been used wherever possible to preserve the original language, except for ISO's mission and all the organizations' lists of publications where it is my own translation.

As can be noted from the above table, of all these associations TÜSIAD is the only one that includes the promotion of democracy and human rights in its mission. The goals of ISO, TOBB and TISK, as confirmed by prior research and the table is restricted by their more formal nature. However, it is interesting to note that MUSIAD, which does not have such constraints, is also not as vocal as TÜSIAD on the issue of democracy. Consequently, we can note that by moving into a discourse of democracy, TÜSIAD has not only changed as an association across periods, but has also differentiated itself from other leading organizations.

III.8. Concluding remarks

The historical glance at TÜSIAD, its organization and membership have confirmed several things. First, TÜSIAD heavily represents the interests of larger Holdings. To do so, it primarily sought to legitimize private entrepreneurship during the 1970s, it promoted economic liberalization towards the end of this period and in the 1980s it was in agreement with most of the policies except the government's impact on interest rates. Towards the 1990s, as confirmed by this survey, there has been both a quantitative and qualitative change in the association's activities. First, it reorganized itself the creation of commissions that tackled specific issues on a more permanent basis. Second, and most importantly, the problems it tackled became much more political and

social than in the previous periods. And third, it particularly focused on the question of democratization.

These activities are most meaningful, however, when juxtaposed to the Turkish state tradition and the problems of democracy discussed in the previous chapter. The issues that TÜSIAD tackled in the *Democratization* report touched on issues such as minority rights and Kemalism that were previously protected by insulated state institutions. As such, one can note that the type of change proposed by TÜSIAD present a radical break from the state.

In the next, more substantive chapters, I will investigate why and how this is possible by tracing the changes of TÜSIAD members' economic needs, their relations to the state and, to a lesser extent, organizational changes within TÜSIAD more systematically.

CHAPTER IV: THE IMPORTANCE OF ECONOMIC CONDITIONS IN SHAPING TÜSIAD'S DEMANDS

IV.1. Overview

In this chapter I will concentrate on TÜSIAD and its members as economic actors rather than political ones to assess how and why they perceive political change to be in their interests. More specifically, I will focus on how these interests have been shaped during the period from the 1970s to the 1990, and demonstrate how economic liberalization, greater integration into the world economy and changes in private enterprise have made the quality of democracy a more salient issue for members of the private sector linked to TÜSIAD.

From the creation of TÜSIAD to the publication of its *Perspectives on Democratization in Turkey* report in 1997, Turkey has witnessed a major polity shift in the transition from Import Substitution Industrialization to a more outward oriented model of industrialization ⁶⁰. In tandem, Turkey's economic and political links to the European Union (EU) have intensified bringing not only increased trade between Turkey and the region, but also presenting pressures and opportunities to deepen the quality of

⁶⁰ As will be discussed in greater detail policies lifting trade restrictions, promoting exports and opening up business to foreign competition have been gradually adopted since 1980.

Turkish democracy. Over the same period, the Turkish economy has been affected by periods of uneven growth, high inflation and financial crises. Despite these adverse conditions, firms linked to TÜSIAD have expanded their activities and have become more technology intensive both in terms of production methods and products.

The response of TÜSIAD to these changes has been to press for further integration with the EU and world markets, the necessary political reforms to do so, and, increases in the quality of democracy that go far beyond the minimum requirements imposed by these external forces.

The discussions in this chapter and TÜSIAD's stand reveal several key elements as to how economic needs shape political demands. First, and most importantly, there are economic conditions under which increased democracy can become appealing to large business. Second, business as association and individual is able to go beyond near sighted interests, as is often predicted by commentators, to actively promote broader development strategies. Third, the structural power of business does not make it regime neutral, it can become vulnerable to change and/or perceive new opportunities that enable it to contrast the potential benefits of different political arrangements. Fourth, the discussion also demonstrates that it is difficult to dissociate between the primacy of factors that are international, domestic or endogenous to capital in understanding business' regime preferences. All three variables are reinforced by their interplay to present new problems or opportunities, making political change particularly appealing to segment of the private sector affected by these changes.

In order to discuss these issues, the chapter will first outline the exact structural position and economic interests of private sector organizations linked to TÜSIAD members and describe the changes they have undergone from 1971 to 2000. This will be

done through a review of secondary sources, TÜSIAD's and firms' own documentation as well as economic indicators. Once this is completed, the focus will turn to the primary evidence provided by the interviews, and other TÜSIAD sources, to grasp how economic changes are linked to the associations' heightened political activity.

However, what the analysis demonstrates is that while it is possible to draw a link between business' broad political demands and economic conditions, they are still not fully adequate to explain why TÜSIAD is capable and willing to take a strong stance in order to change the current political arrangement. In other words, the chapter reveals that economic changes are necessary but not sufficient conditions for business's mobilization.

IV.2. TÜSIAD Members' structural position and economic policy from 1970 to 2000.

IV.2.1 The development of Holdings and manufacturing sector under Import Substitution Industrialization from the 1960s to 1980.

As was shown in more descriptive account of TÜSIAD in chapter 4, the interests of larger industrial capital, more specifically large Holdings, are heavily represented within the association. Therefore, the structural position of this group and the evolution of large Holdings linked to TÜSIAD will now be studied more closely around a discussion of economic and industrial policy from 1971 to 2000. As can be seen from table 4.1 Turkey has undergone a period of industrialization from the 1960s to the 1990s. The value added created by industry, as a share of GDP, has increased considerably over the years. Part of the increase can be attributed to the ISI policies of the 1960s and 1970s, which focused primarily on the manufacturing sector. The policies were intended to

solve distributional conflicts through commitment to rapid industrialization, and hence differed from the previous periods in its emphasis on the development of private manufacturing.

Table 4.1 The growth of Turkish manufacturing 1962 to 2002⁶¹

	1962	1972	1978	1983	1986	1989	1992	1996	1997	2002
Industry, value added (% of GDP)	1.16	5.69	4.02	12.47	13.31	16.20	14.39	21.52	24.58	29.23
Share of Manufacturing in GDP		17.3	17.3	21.3	25.0	26.5	24.8	23.9	23.7	22.3 ⁶²

Senses (1994, pp. 52-53) discerns two periods that have characterized the implementation of ISI policies. The first phase included an overvalued exchange rate, quantitative restrictions on imports as well as bilateral trade agreements and high tariffs, which were accompanied by measures such as tax and credit incentives directed towards industry. The first phase was also accompanied by State Economic Enterprises' (SEEs) involvement in the economy as providers of raw materials and employers of last resort, in line with the more populist policies of the time⁶³. The second phase built on the same policies to include the state's larger involvement in more capital intensive sectors such as paper, metals and fertilizers, to stimulate other sectors of the economy. All in all, these policy measures and specific incentives were really geared towards the manufacturing sector and intended to move to the production of consumer durables first, followed by a shift to capital and intermediate goods. Hence, as noted by Senses (1994, pp. 52-53), the manufacturing sector's share in GDP rose from 14,1% in 1963 to 19,1% in 1979. This

⁶¹ Figures on Industry value added obtained from the World Bank Group, World Development Indicators, <http://devdata.worldbank.org/dataonline/>, retrieved on May 16, 2005. Data on the share of manufacturing out of GDP obtained from the State Institute of Statistics, <http://www.die.gov.tr>, retrieved on May 17, 2005.

⁶² This figure of 22.3% is for 2000.

⁶³ For a detailed analysis of the role of SEEs in Turkish industrialisation please see Boratav and Turkcan (1993).

increase placed Turkey fifth behind Brazil, China, Mexico, India and South Korea during the same period in terms of manufacturing value added in the developing world (Senses, 1994, p. 53).

More importantly for the current discussion, these policies benefited directly and indirectly larger firms and helped develop Holdings. The rise of Holdings, according to commentators, reflects an ideological preference that governments had towards supporting already established large organizations because they were perceived as a sign of economic progress (Bugra, 1995). Already established holdings have, therefore, been the prime beneficiaries of state policies geared towards industrialization, partly explaining their emergence as a form of private sector organization. But, for a more detailed and complete analysis as to why Holdings became the dominant form of organization and how this impacts TÜSIAD, I turn to Bugra's work, which covers Turkish holding companies up to the 1970s and 1980s. While doing so, I will incorporate mostly information on Holdings present within TÜSIAD to understand how their demands can be linked to the association's.

Bugra notes, in her general framework, that the Holding emerged as the dominant form of industrial organization in response to uncertainty created by the state. She further defines uncertainty more specifically on two different levels. The first narrow understanding has to do with economic cycles created by ad hoc and often pragmatic state policy. Holdings have tended to diversify their activities as a response to the uncertain environment and arbitrarily changing sectoral policies. This, as opposed to expanding their core activities, let these establishments absorb some of the negative impact of unforeseen changes (Bugra, 1995, p 97 and pp. 220-221). But uncertainty, as observed by Bugra, is also caused by the lack of a clear legal framework defining the private

sector's relation to the state (Bugra, 1995, pp. 138-149). During the ISI period of the 60s and 70s, as well as the following period of economic liberalization, this entailed a general lack of clear guidelines on how to obtain state aid and licenses. Hence the complexities in navigating the bureaucracy in obtaining such things as credits and import licenses for needed capital goods benefited large Holdings over smaller establishments. These organizations governed by families were advantageous as they had more expertise –and perhaps personal connections- in navigating complex bureaucracies (Bugra, 1995, pp. 198-99).

However, it is important to note that, given the lack of a notable manufacturing sector historically and the fairly recent focus of the state on the private sector, most Holdings were really recent products of the state's increased focus on the creation of private capital accumulation⁶⁴. Hence, what later became large Holdings were private enterprises that got their first breaks because they had access to state resources and officials in the first place. Bugra notes more specifically, that most of these Holdings had initial access to government contracts, purchases of government land to build plants and government credits⁶⁵. Once established, it was much easier for existing enterprises to expand to new industries than it was for firms lacking similar assets during the period of heavy industrialization. All in all, the rise of Holdings was not only a business strategy, but also a product of the advantages created and reinforced by uneven access to the state⁶⁶.

⁶⁴ For a more detailed analysis of conditions preceding the 1960s and 1970s please see the historical background chapter.

⁶⁵ For a detailed biographical account of how most Holdings started see Bugra (1995) pages 104 to 138.

⁶⁶ As will be seen in the next chapter on state-business relations the proximity of some enterprises to the state and the advantages they have gained is also confirmed by my interviewees.

Furthermore, the importance of informal channels for the development of business enterprises favoured the maintenance of family control of these enterprises. A situation that is further reinforced by the use state subsidies and firms' own capital as an investment tool, as opposed to the stock market⁶⁷. As such, it is possible to see the rise of not only the manufacturing sector, but also the concentration of this growth within a few establishments when compared to the rest of the private sector. Accordingly, the activities of large Holdings have expanded over the years, as a product of economic development, a response of private enterprise to the business environment and the concentration of resources aided by the structural advantage of a few families.

The following table (4.2) outlines, in greater detail, how the sectors of activity of large corporations within TÜSIAD have expanded over the years. As confirmed by Bugra (1995, pp. 85-90), the origin of large business does not go a long way back. The shift of these holdings to more industrial activities can also be traced back to the period of heavier and more active state intervention in the industrialization process, when they got their first important investment opportunities facilitated by the state's role in the economy towards the end of the 1950s⁶⁸. As examples we can note Alarko and Enka holdings that did benefit from development policies. Alarko moved into the manufacturing of its own products with Development Bank credit in 1963 to build air conditioning factory, while Enka started to get construction contracts from the government in the 1960s and 70s.

The table also confirms the fact that these companies have expanded through diversification as opposed to growth in production. What is important to note, however,

⁶⁷ My interview with the IMKB president, Osman Birsen (2001), revealed that a very small share of each enterprise was actually exchanged in the Istanbul stock market.

⁶⁸ While the business activities of the Koc and Sabanci families started in 1926 and 1925 respectively, these were fairly modest commercial activities compared to their current industrial production. Koc moved to manufacturing only in 1948 with the production of GE light bulbs, while Sabanci became a holding in 1967.

is the newer sectors of activity that these companies are engaged in compared to their modest beginnings. All of them have moved to more complex capital intensive sectors. These include big construction projects, which range from power plants to pipelines, and newer sectors such as information technology. We can also note the move towards more capital intensive goods such as consumer durables and automobiles. What is as significant is the notable improvement in the complexity of the products, which, as will be seen below, can be associated to foreign partnerships and increased export activities.

<i>Table 4.2 Large Holdings Linked to TÜSIAD and their sectors of activity</i>			
Name	Date	Sectors Started	Sectors Active in 2000
Tekfen Holding AS	1957	Construction, Light Bulbs (35% of Turkish market share until the end 2002)	Construction and Engineering (Pipelines, Refineries, Industrial Complexes, Telecommunication, Power Stations, Airports and Sea Ports) Agricultural Products (Fertilizers) Finance, Real Estate, Foreign Trade (Revenue of 3,4 Billion USD in 2002)
Alarko Holding AS	1954	heating-air conditioning	Contracting, land development, heating-air conditioning, tourism, seafood, energy
Eczacıbasi Holding AS	1942	Pharmaceuticals	pharmaceuticals, construction material, consumer products, information technology, finance and welding technology
Koç Holding	1926	small store and construction material sale,	Automotive, consumer durables, food processing, banking, tourism and services, construction

		move to industry with GE light bulbs	
Enka Holding	1957	Construction, Industrial Contracting, Steal Hand tools and Plastics	Construction, Engineering (highways, power plants, airports, industrial complexes),
Sabancı Holding	1925	Cotton Trade	Automotive, finance, food, IT, tires and transmissions, chemicals, cement, paper products, tourism and international trade
Borusan	1944	Steal Pipes	Steal (pipes and sheets) Automobile and machine dealership, IT and Communication (2002)
Sources: Alarko Holding (2006), Borusan (2006), Eczacıbaşı Holding (2006), Emka Holding (2006), Koç Holding (2006), Sabancı Holding (2006) and Bugra (2005)			

It is important to emphasize, from TÜSIAD's perspective, that another striking feature is the fact that diversity of activities does not only exist within Holdings, but also across establishments linked to TÜSIAD. This diversity is very important in locating the nature and source of TÜSIAD's demands. The association can be linked to the broader needs of large capital as opposed to the specific interests of sectors, sub-sectors, or individual firms, as its members and the firms linked to their members do not form a homogenous group in terms of specific interests. These Holdings and TÜSIAD as an association are affected by factors that touch the manufacturing sector in general, and to be more specific the more capital intensive branch of the manufacturing sector. By looking at the changes in the economy that has affected large capital, it is possible to associate these to the demands of TÜSIAD and discern why it has been in the interest of this particular group to press for increased democracy on the one hand and to break away from the state on the other. For this, I turn to a discussion of the shift from ISI policies to

outward oriented industrialization and how this has affected firms present within TÜSIAD.

IV.2.2. The Internationalization of the Turkish economy from 1980-2000 and TÜSIAD

Despite moving Turkey into new sectors and creating large holdings, the two phases of ISI were accompanied by problems, which hindered the manufacturing sector's further development. These among other factors, as was seen in chapter 3, also precipitated Turkey into a debt crisis, led to the resignation of the Ecevit government and the subsequent military coup that was committed to adopting the structural adjustment program proposed by the IMF. During this period TÜSIAD was supportive to the proposed program and was even perceived as precipitating the resignation of the government, which led to the eventual military coup of 1980⁶⁹.

The overarching problem from TÜSIAD's perspective is rather more complex. As noted by Bugra (1995, p. 205), for all the benefits it may have provided the manufacturing sector and larger Holdings, the period was characterized by a lack of a clear definition of the private sector's role and the state's boundaries in the economy. A discussion of the specific problems this created for TÜSIAD members is beyond the scope of this chapter, and is better dealt with in the historical background and state-business relations chapters. For the time being, it is sufficient and worthwhile to remember two observations. First, this insecurity combined with the growth of large manufacturing with medium term goals that explains partly the establishment of TÜSIAD to define a clearer role for the private sector in the economy (Bugra, 1995, 202). Second,

⁶⁹ Some commentators even use this episode to illustrate the pro-authoritarian nature of Turkish business.

it was a combination of economic mismanagement and fears about the exact role that the Ecevit government foresaw for the private sector that partly explain TÜSIAD's opposition to the government.

For the purpose of this chapter, however, the more narrowly defined problems with policy and the economy are a better area of investigation. The policies created very substantive rents and effective rates of protection that Senses estimates to have been at 344%. Hence exports predominantly included the agricultural sector and the development of manufacture did not lead to an internationally competitive manufacturing sector (Senses, 1994, p 53). Second, the relative factor prices were distorted with a high exchange rate and low interest rate. Third, all these created large balance of payment crises, as overall the Turkish sector was not able to acquire foreign exchange (Celasun, 1990).

As such, during the deeper phase of ISI, after the completion of the easy phase in the 1960s, the instruments required to sustain the ISI strategy, high levels of protection and an overvalued exchange rate “aggravated the import dependence of the economy and resulted in a stagnation of the economy. The consequent balance of payments disequilibrium, in turn, placed definite limits on the feasible rates of economic growth.” (Onis, 1992, p.74). From the perspective of the manufacturing sector and the failure of the industrialization project, balance of payment crises also meant that domestic producers could not generate the foreign currency needed to import much needed capital goods.

The state led model ISI was abandoned by the military government (1980-1983) and subsequent civilian government of Turgut Özal (1983-1989), who implemented structural adjustment programs, liberalized most capital markets and trade, and adopted a

more export led development model to veer the manufacturing sector towards the exportation of goods (Haggard and Kaufman, 1995)⁷⁰.

Overall, while as noted by Senses (1994), the rise of manufacturing in the 1970s was remarkable, it is in the 1980s and 1990s that this sector is going to flourish. This growth can again be observed going back to table 4.1, with the share of manufacturing value added out of GDP reaching 29% in 2001 after a steady increase. More strikingly, the shift can be observed from the soar of exports and the manufacturing sector's rising contribution to this increase during the period following 1983.

Import restrictions since the reforms have gradually declined and the state has implemented export promotion policies in tandem, as is confirmed by table 4.3. Accordingly, imports of goods and services were just under 5% and exports 3,5% in 1968. Imports of goods and services are then going to gradually increase to about 10% of GDP up until 1977, while exports are going to stay on average around 5% of GDP. The major transformation, however, occurred in the post-1980 period with exports rising to around 15% and imports to 17% of GDP in the 1980s, and each reach above 20% in the late 1990s. Turkey, therefore, can be said to be increasingly integrated with the world economy.

Table 4.3 The growth of exports and manufacturing sector's share in exports 1962 to 2002⁷¹

	1962	1972	1978	1983	1986	1989	1992	1996	1997	2002
Manufactures exports (% of merchandise exports)	1.16	13.97	21.89	46.61	58.16	65.81	71.34	73.77	74.91	83.93

⁷⁰ For a more detailed analysis of the reforms please see Aricanli and Rodrik (1990)

⁷¹ Data obtained from the World Bank Group, World Development Indicators in <http://devdata.worldbank.org/dataonline/>, retrieved on May 16, 2005.

Exports of goods and services (% of GDP)		20.38	21.31	25.02	30.97	32.77	29.94	27.91	28.20	23.68
Imports of goods and services (% of GDP)	..	8.09	7.06	16.56	16.10	17.78	17.35	27.47	30.39	30.71

For the purpose of the current study it is even more important, however, to discern how these changes have affected the members of TÜSIAD. Not all establishments were affected by ELG policies the same way. The most immediate observation one can make is the fact that the growth of exports of the manufacturing sector has been, as can be seen from the above table, more spectacular than the general growth of exports. The sector that was only representing around 14% of exports in 1970 is now representing more than 70% of all exports. To understand how large holdings specifically were affected by these policies, it is important to note that the new measures sought to favour large foreign trade companies (FTCs) in order to create national champions who could benefit from economies of scale in export activities the same way South Korean had with Chaebols. Accordingly, as noted by Onis:

“The Turkish government has sought to establish right from the very beginning, a highly concentrated export sector as a basis for reaping economies of scale and for penetrating international markets. The state has provided explicit incentives for the formation and subsequent development of foreign trade companies [...] Since then, a select group of Turkish foreign trade companies have steadily expanded their share of total exports, currently accounting for about half of all Turkish exports (Onis, 1992, p. 75).”

As such, these FTCs were the prime recipients of subsidies, and were not subject to the same import restrictions during the gradual liberalization of trade as other firms. The conditions, according to Onis, to benefit from the incentives given by FTCs were specified by a governmental decree issued on July 18, 1980 and the conditions were outlined as follows (Ibid., p. 76):

“Minimum export earnings of \$15 million during the year preceding the application, with the additional condition that at least 50 percent of all exports would consist of mineral and manufactured products.”

“An initial capital of at least TL 50 million (equivalent to \$640 000) paid up over a twelve-month period.”

“Export growth at a rate of 10 percent per annum.”

In January 1984 a new decree raised the export requirement to \$30 million, the initial capital to TL 500 million and the share of mineral and manufactured products to 75% (Ibid., p. 76).

These were in place to ensure that manufacturing exports would be favoured and only firms that could operate at such levels could benefit from the measures. The benefits that these obtained are summarized, again by Onis, as follows:

- “1. The ability to use credits from the central bank’s rediscount facilities with one-year maturity at favourable interest rates of 50 to 60 percent of commercial rates.
2. Allocation of foreign exchange from the “Export Promotion Fund” for importing raw materials required in the manufacture of products to be subsequently exported.
3. Permission to import investment goods and spare parts of up to 60 percent of projected exports.
4. Export tax rebates corresponding to 6 percent of export value in addition to tax rebates for which all exporters qualified on an item-by-item basis.
5. The right to maintain foreign currency holdings on a global basis, to be used in importing raw materials for the manufacture of exportable commodities embodied in the FTC’s program.
6. The ability to contract (with government approval) medium term foreign credits up to two years.
7. Monopoly rights (jointly with SEEs) to import commodities from countries associated with COMECON (Ibid., pp. 76-77).”

Given these restrictions and benefits, Onis notes three major trends in terms of the impact of this policy. The exports of trade companies have increased much more rapidly than total exports over the period of 1980 to 1988. Second, there is a very high

concentration of export activity in a few FTCs. The top four FTCs accounted for 72,5% of total exports in 1980 (out of 8 FTCs) and 29,3% in 1988 (out of 24 FTCs). Third, these companies have organic links to major domestic industrial, trading and construction conglomerates. For example, two of the largest five FTCs, RAM and EXSA, are linked to Koç and Sabanci Holdings respectively. Within top ranking FTCs only one, PENTA, is a pure trade company, whereas all the others have links to domestic manufacturers.

Most importantly, Koç and Sabanci are also the two largest privately owned holdings in Turkey, have been among the founding members of TÜSIAD and in terms of representation are the two establishments that have provided the association with the most members. These policies have directly led the most influential families within TÜSIAD to reap some benefit from becoming outward oriented, when compared to the rest of the economy. The analysis linking the member's economic interests and TÜSIAD's demands must therefore take this into account.

The engagement of large holdings in export activities also explains, according to Onis, why Turkey has not witnessed conflicts over policy as is found in Latin America between outward oriented industries and those that traditionally have produced for domestic markets. In addition to this obvious overlap, Bugra (1995, pp. 216-220) notes that the discretionary power of the state and the links Holdings enjoyed made this transition more acceptable, albeit with little impact on changing state-business relations, as members of the business community were able to negotiate secretly over the list of goods that should be liberalized. In other words, individual members of the business community were able to negotiate the type of activity or goods that would be affected by policy change

The concentration of holdings linked to TÜSIAD in export activities is also supported by the data comprised by the association itself. According to a report on a member survey it had conducted on its members, the association notes that the 223 companies surveyed within TÜSIAD have generated 35.5% of the exports and 20.8% of the imports of the Turkish manufacturing, construction and banking services sectors (TÜSIAD, 1997a).

Table 4.4 Comparison of TÜSIAD's share of value added, exports, imports.⁷²

	Value Added	Exports	Imports
TÜSIAD	28.7	9.3	10.1
Turkey	70.1	26.2	48.5
Share of TÜSIAD	40.9%	35.5%	20.8%
Source: TÜSIAD (1997) <i>TÜSIAD Brochure</i>			

The internationalization or outward nature of TÜSIAD members cannot be measured only through the amount of export activities that they have engaged in, as outlined by the table on the next page.

⁷² TÜSIAD includes 223 companies and holdings surveyed. The data for Turkey is from the relevant sectors of manufacturing, construction and banking.

Table 4.5: Larger Holdings linked to TÜSIAD and their foreign partners and activities

Name	Foreign Partners	Activities Abroad
Tekfen Holding AS		US (Tinplate Products) Joint Venture With Uzbek State, Joint Venture with Azerbaijani State, Georgia, Factory in Former East Germany
Alarko Holding AS		Joint venture with German company on the gas line, shopping centre in partnership with the city of Moscow,
Eczacıbaşı Holding AS		
Koç Holding	Ford, FIAT,	
Enka Holding	Bechtel	Russia (Housing, Commercial spaces, restoration of the Duma), Kazakhstan (development of Oil fields), Croatia (motorway)
Sabancı Holding	Bridgestone, DuPont, Toyota, Kraft Foods International, Bekaert, Heidelberg Cement, IBM, BNP, Dresdner Bank, Carrefour, Dia, Hilton International, Mitsubishi Motor Co., International Paper and Philip Morris	Foreign Trade companies in the US and UK and Spain, joint ventures with dupontsa (Holland) in the US for polyesters
Borusan	BMW, Rolls Royce and Caterpillar (dealership), Mannesman, Bamesa Aceros, Sollac Med (Acelor)	Caterpillar representative in Central Asia, Steel Plants in Italy, Mexico, Spain and Portugal
Sources: Alarko Holding (2006), Borusan (2006), Eczacıbaşı Holding (2006), Enka Holding (2006), Koç Holding (2006) and Sabancı Holding (2006)		

The activities of Turkish Holdings abroad remain limited as can be seen from the table. However, one can still note a trend towards that direction especially in the construction and land development industries, which have been active in Russia and the Central Asian republics. The more striking feature, as outlined by the above table, is the

partnerships that these large Holdings have built and their investment activities. As can be seen, foreign multi-nationals such as Ford, Toyota, Mannesman and Philip Morris have built joint ventures with Turkish holdings. Those ventures present an advantage to both domestic and foreign companies (Onis, 1994, pp. 102-104). Navigating the Turkish bureaucracy and getting permits for investment can be complicated; Holdings with access to the state become key partners for firms interested in investing in Turkey (Bugra, 1995). From the perspective of the Turkish Holdings, these partnerships are ways to import foreign technology and produce higher quality products locally (Onis, 1994). Turkey has increasingly become an outlet towards the EU and the region for foreign brands like Toyota and Fiat. Thus, the automotive and consumer durables industries' and companies linked to TÜSIAD have become national champions of exportation towards the EU. In the survey reported in TÜSIAD's 1997 Brochure, more than 120 firms from the association were exporting towards Germany, while slightly more than a hundred and around just a hundred were exporting towards England and Italy respectively, as the three main countries TÜSIAD members were doing with (TÜSIAD 1997a).

As will be seen below, this creates changes and pressures, which the members I have interviewed see as contributing to TÜSIAD's demands. In the same 1997 survey, while textile producers were still the most represented companies in the sample, construction, food and beverages, transportation and communication, rubber and plastics, chemicals, and, transport equipment sectors, were all very well represented right behind this sector (TÜSIAD 1997a). By combining this information with the fact that the automotive sector has since surpassed textile manufacturers in terms of exports, one can conclude that TÜSIAD members active in these more capital intensive sectors were starting to perform very well in these activities.

Three trends become apparent from the above discussion: (1) The interest of large capital and TÜSIAD is linked to the evolution of Holdings, which have become more diversified and capital intensive, (2) These large holdings benefited from state intervention under the ISI period to develop a manufacturing sector, albeit with some problems in their relation to the state as will be analysed in the next chapter, (3) these holdings continued to benefit from policies intended to forge a competitive export oriented manufacturing sector, and finally (4) TÜSIAD represents diverse sectoral interests all concentrated in more capital intensive sectors. Therefore, TÜSIAD's outward orientation and the size of their enterprises will be taken into account when studying their needs.

IV.3. The EU, International Integration and TÜSIAD's stance.

The economic, and potentially political, integration of Turkey into the EU is a central factor determining the extent to which capital has had to become more international. Hence the period of Turkey's economic openness is further accentuated with the abolition of trade barriers between Turkey and the EU in January of 1995. These measures, barring some exceptions, have eliminated tariffs between the two and also foresee the adoption by Turkey of common tariffs with the Union in its relations with non-EU trading partners.

Table 4.6 Turkish Exports' major destinations in 2002⁷³

Country	Value in US\$	% share of total exports
Germany	5,869	16.3
US	3,356	9.3
England	3,025	8.4
Italy	2,376	6.6
France	2,135	5.9
Spain	1,125	3.1
Holland	1,056	2.9
Russia	1,172	3.3
Israel	861	2.4
Romania	566	1.6
Total	21,541	59.7

A cursory glance at Turkey's trading partners also confirms that EU countries are the most important trade partners for the Turkish private sector. In addition to the strong economic element of the integration with the EU there is also the political process of Turkey's candidacy to the union that includes elements of democratization. Therefore, any meaningful discussion linking the economic interests of TÜSIAD members to their political action must assess the degree to which they are passive actors responding only to pressures for change from outside, in this case the reforms suggested by the EU or adopted by the state. It is worth dealing first and foremost with this issue in order to make the findings in subsequent sections and chapters more generalizable, or in the least relevant, to other cases that lack such pressures. Several findings suggest that integration to the EU is not an end in itself for TÜSIAD, but more so a means to an end. More specifically TÜSIAD has pressed for, and used, greater integration with the EU in its discourse to press for broader economic and political change.

⁷³ Foreign Economic Relations Board, <http://www.deik.org.tr/yayinlar.asp?publicationTypeId=21>, retrieved on May 17, 2005.

Before studying TÜSIAD's actual discourse and my analysis of interview data, a few points that indicate TÜSIAD, as an association and aggregation of its members' interests, is different from the rest of the private sector are worth mentioning. First, as outlined in background chapters, TÜSIAD's demands can be characterized as being more political and radical than that of other business associations such as TOBB in Turkey⁷⁴. Second, and related to the previous point, the review of its interests suggested that capital present within TÜSIAD is relatively more international and outward oriented than the rest of the Turkish economy. This in itself is an important finding because it suggests that greater economic integration makes capital not only less resistant to the broader policy changes that are brought about, but capital can also become an active agent of change. Third, the political reforms TÜSIAD proposes are not solely guided and constrained by the necessary reforms to enter the EU. My interview with the deputy general secretary suggested that the reforms proposed by the EU for Turkey's membership were vague and that TÜSIAD's reports and activities were much clearer and went beyond what was proposed (Dicle, 2001). It is, therefore, possible to assert that on the one hand the presence of the EU and the pressures has not had a homogenous effect on Turkish business, and on the other that TÜSIAD's demands are not determined only by the prospect of EU membership.

When a closer look is paid to interview data and TÜSIAD documentation, it becomes possible to go even beyond these three observations to note that TÜSIAD is not a passive observer, but actively promotes and lobbies for EU membership⁷⁵ as a broader model of development rather than a short-term reaction. It can be demonstrated that

⁷⁴ See chapter 3 for a comparison.

⁷⁵ This is in part attested to by the publications it makes, see TÜSIAD (1999a).

TÜSIAD shows a great will to participate in the EU, in particular, and in the international economic system in general because it is in its interest to do so. The EU is a recurrent theme presented mainly in TÜSIAD speeches as a reason behind the need for democracy and reforms⁷⁶.

“[...] [Turkish society] expresses its desire to take part of the European Union on every occasion, but we refuse to see that we cannot be in step with that world without a complete democracy (Eczacıbaşı 1997).”

In addition to promoting democracy as one of the preconditions to be a member of the EU in TÜSIAD speeches, a small portion of the members interviewed even drew links between TÜSIAD's demands and the desire to be a member of the EU:

“Why is TÜSIAD speaking of the equality between men and women? Because it is a criteria of the European Union. In 2002 the EU is the most important thing. We, as TÜSIAD, concentrate on every subject to be able to enter the EU [...] There is a win win situation between the EU and Turkey. The EU wins from Turkey joining. Turkey also wins. This is why that as TÜSIAD I support that [Turkey] joins the EU even if it is done unknowingly (Argüden 2002).”

But most of my other interviews and the analysis of TÜSIAD speeches reveal that the root of this drive goes beyond the narrow scope of the EU to include a more complex mechanism that is embedded in the broader world view and interests of the business community linked to TÜSIAD. Of all the members interviewed only one has stressed the EU as a direct cause behind TÜSIAD's demands and another saw a relationship between the two. All other interviewees spoke of Turkey's integration into the world in broader

⁷⁶ One other important indicator that the EU is not the main cause lies in the fact that TÜSIAD's political activities started to change in the early 1990s before negotiations for full membership took place. As such it is possible to believe that the demands of TÜSIAD are formulated independently. This is also confirmed by my interview with Ebru Dicle, the Deputy General Secretary of TÜSIAD, who pointed out to the fact that the criteria set by the EU are vague, while the changes proposed by TÜSIAD as well as the reports it publishes touch on very specific issues. Consequently, the demands formulated by TÜSIAD should be taken independently of the EU (Dicle, 2001).

terms. More specifically, a number of its influential members and TÜSIAD often put forth a view of the world made up of trading blocks that countries must now align to in order to avoid isolation and gain the benefits of trade and economic exchanges. As such, the reforms proposed reveal more a desire to integrate into the world economy via one block and a fear of isolation. This framework was most clearly developed during my interview with Cem Duna, who, at the time of the interview headed the EU commission within TÜSIAD. The world view he exposed, similar to many interviewees, was of a world economic system divided between three blocks, Europe, East Asia, and North America, within which most of the trade and foreign direct investments took place. As such, Cem Duna, as well as other interviewees, saw democratization beyond the narrow scope of European membership and saw it as an economic and political necessity to maintain exchanges in the current international economic system (Duna 2001). In line with this analysis, most of the TÜSIAD speeches surveyed and my interviews point to the dangers Turkey will face economically if it should ever be isolated from the rest of the world, such as:

“What does Turkey have as an alternative? There is no viable pact beyond the European Union. I do not believe in the Black Sea Economic Cooperation, I do not believe in the Middle-East, Turkey’s natural ally is Europe. But for trade its natural allies are both going to be Europe and Russia. We have to expand our relationship with Russia. We angered Russia a bit much when we got close to places like [unintelligible], Azerbaijan, Turkmenistan. I think it is a mistake. As a businessman I support the development of trade, political and economic relations with Russia (Argüden 2002).”

“Why democratization? Why work to improve democratization? When we ask these ‘the improvement of the economy must go through this’ is not a complete explanation. We see that if we do not improve on these shortcomings that we will be left out from the rest of the world. We want to join the European Union. There are certain values that are valid around the world now, there are human rights, there are indicators of democracy, as long as we stay behind on these issues we will be pushed outside the world. We have seen to what stage we have come with the European Union, countries that have entered the European Union before us have passed us. There is the realization that we are missing the train (Eczacıbaşı, 2001).”

“[...] This is also what the international community wants of Turkey. We [Turkey] have always seen those who have said that Turkey needed democratic reforms as our enemies. If we continue to hold this opinion, Turkey will not have that many friends anymore. The democracy and human rights agenda always came about in relationship to the EU. However, we have seen that this is also of highest importance in the USA's agenda with Turkey. We should not be surprised or show any reaction. Because these are also universal values we seek to attend, they will always come about. [...] Closed politics' inevitable result in the long-term is a closed economy. A closed economy loses its competitiveness. It cannot find any sustainable markets. It will start to face problems of employment. As long as Turkey delays its democratic reforms, the international community's pressures increase. We close ourselves the more we react instead of dealing with this pressure by surpassing ourselves and changing (Kayhan 1998).”

“Everyone should realize that democratization is an issue that Turkey cannot overlook in building its future in a healthy way. Strong economies will catch the wave of globalization only to the extent that they are built in an environment shaped by democracy and the law's universal measures, with a modern state, and a transparent and enlightened social base (Berker 1997).”

As such, integration into the EU is a way to integrate into the world, and also has its intrinsic benefits:

What would happen if European integration does not work? When Turkey considers its trade balance with Europe it becomes apparent that we are already integrated in terms of industry. There are no other alternatives, that is the situation. If we stay out of this community we will have wasted everything we have accomplished so far. This has to go forward now. I just told you the economic and industrial element of the story. I will also touch on the other dimension. Turkey is now Europe's seventh largest economy. In 2010 it will be the fifth largest economy. This is in terms of size, in terms of volume these figures are still very low, but in terms of size it is the seventh largest among the 28 countries. If you look at its population and contribution, it is the fifth largest. [...] This entails the following, Turkey would be the fifth largest country after France, Germany, England and Italy in the European parliament. It will be the largest represented country in the parliament. Soon there will be 900 parliamentarian, 90 could be Turkish. This means that not only economically, but also politically Turkey could take part as an important nation in the European decision making process. [...] If this does not happen [Turkey] will face the problems of Third world countries. The integration with Europe will continue the way it is, but it will fall to the status of a Third world country. When we could be part of a team as a leading force, we will become a Third world country like Pakistan, Bangladesh and India. [Integration] is to Turkey's advantage industrially, commercially and socially. This is why we as industrialists support European integration (Kudatgobilik 2002).”

“Turkey lives, even if not fully, in an economy that is integrated with the rest of the world with liberalization, the custom union, and an open economy [...] As I mentioned earlier, we worry that we will be isolated from the rest of the world. There is the worry that the current situation will gradually push us into the status of a third world country that loses its chance to integrate with the rest of the world. We worry that we are losing our chance

to enter the European Union. Because unfortunately this is a real eventuality. As long as we continue adopting archaic measures the risk is very real. Europe can close its doors. Businessmen see this. Faced with the risk of seeing doors closing and opportunities fleeing, [businessmen] with the financial and organizational means, who are open to the world, who are forced to be open, who have very intensive relations with the rest of the world realize that they must do something. [TÜSIAD's demands] are a product of this thought process (Eczacıbaşı, 2001)."

The official line of TÜSIAD and the interview data reveal that this group is not a passive actor whose goals are imposed by external economic pressures, but that it is able to link the needs of its members and of capital in general to the broader context. Integrating further into the international community and undertaking the necessary reforms is presented by TÜSIAD and seen by its members as the best way of adapting to the current conditions they face. I will, therefore, turn my attention to describing how my interviewees draw specific mechanisms linking their interest to political reform within the broader economic environment and international economic system.

IV.4. Findings: TÜSIAD members' interests and democracy.

In this next section, I want to focus more on my case study and the members I have interviewed to determine how TÜSIAD members perceive their -and other members'- structural positions, needs and greater integration with the rest of the world to have affected TÜSIAD's demands in the period studied. It becomes apparent in the following pages that the interviewees were well aware of the needs created changing conditions and their link to TÜSIAD's actions. What is less obvious from the focus given to a few quotes in this chapter, however, is the fact that all interviewees across the board were able to discuss the links between economic needs and policy changes at a very high

level of theoretical and conceptual sophistication. I feel that, as much as TÜSIAD's demands, this is also a meaningful finding helping to characterize the nature of this particular segment of the private sector.

All interviewees from TÜSIAD, close to the association, or from outside pointed to similar economic factors in explaining their demands. While the attention to detail and weight given to different factors may have differed from interview to interview, all were focusing on similar variables. The first such key factor to be emphasized was growing international competition and TÜSIAD members' greater integration into the world economy. These were always given as the primary, or parallel, reasons behind TÜSIAD's growing political demands and its members' growing autonomy from the state. In general integration and the necessary changes it required were seen as providing a combination of benefits and pressures to the Turkish private sector, which made changes to the nature of the state both necessary and appealing to the interviewees. The next few paragraphs will therefore focus on the interviews more closely to understand the exact mechanisms involved.

The first set of perceived needs and benefits is associated to the challenge of staying competitive. Those can be specifically broken down to the need for product innovation, political stability and changes in the nature of state intervention. In my interviews, growing internationalization and the related political reforms often came into the forefront as an opportunity to stay competitive in the face of liberalization and growing competition.

IV.4.1 International competition and pressures to attract foreign investment

One of the elements some of my interviewees felt was needed to achieve this has to do with technological innovation in general and the need for R&D and foreign investment more specifically. Such political elements as international respectability, stability and overall state reform were associated to attract foreign direct investment (FDI). The shift points to several key changes during the period studied on both the domestic and international level. The first such change is the shared feeling that TÜSIAD members' need to stay competitive based on product and process innovations has become crucial. This view confirms, and should be combined, with the earlier observation that large Holdings within TÜSIAD are using foreign partnerships to produce a wide range of goods and import technology (table 4.5)⁷⁷. Hence, how the economic and political climate within Turkey affects the private sector's ability to forge such relations becomes all the more crucial.

Duna (2001) linked this, during our interview, to the internationalization of the Turkish economy by emphasizing that the nature of capital has changed because the innovation time gap has decreased considerably, making international competition over product and process innovations more important than competition relying on cheap resources. Within this framework he believes that TÜSIAD members have two choices: either increase foreign resources to transfer and invest in technology or stay out of the above-mentioned, and crucial, trading blocks. This feeling was also shared by my other interviewees, who saw the Turkish private sector's ability to compete as being heavily dependent on its ability to adopt foreign technology through partnerships, in the face of a lack of R&D in Turkey:

⁷⁷ This finding also confirms through interviews the observation made by some like Onis (1994, pp. 102-104) that foreign partnerships are a way to appropriate technology.

“[To maintain competitiveness] you must do something. You must renew the process or the product. And this requires R&D activity, it requires spending. Institutions do not have the means. There are very big problems (Eczacibasi, 2001)”

Furthermore, they felt that relying on cheap labour alone was uncertain as it is growingly difficult for Turkey to compete and remain attractive based on wages with the rest of the world.

“You cannot achieve anything by imitating what everyone else is doing, even if you have cheap labour it does not work. If you decide to do something with cheap labour, there is always something that is produced in a place with cheaper labour. It comes out of Latin America, Asia or Africa, as such it is not a reliable competitive advantage. You have to do something (Eczacibasi, 2001).”

“[The only factor] is not the EU. [TÜSIAD] realized what the absolutely necessary conditions after the transition to a liberal economy: labour rights, civil servant rights and political stability. [TÜSIAD] became conscious of the fact that these could promote foreign investment and expand markets (Varlier 2002).”

Feyyaz Berker, who has headed Tekfen Holding for several decades and has been also Chairman of the board at TÜSIAD, has also emphasized that the period when domestic producers could sell anything they wanted was over. He felt that they needed to improve the quality and price competitiveness of goods (Berker 2002). The importance assigned to technology and foreign capital by my interviewees is also echoed as one of the economic priorities Turkey should concentrate on to improve its economy in TÜSIAD speeches:

“The productivity of Turkish industry and its competitiveness should be increased through measures such as privatization, attracting foreign capital to the country and incentives towards the renewal of technology (Komili 1995).”

When the view held by my interviewees is combined with the state of R&D and foreign investment in Turkey, one can get a better understanding of why reform was proposed by TÜSIAD became particularly crucial during the 1990s. Turkey's performance in terms of research and development expenditure out of GDP is not so much behind comparable cases. In 1996, Turkey spent 0,5% of its GDP on R&D, while Mexico, Chile, Brazil and Argentina spent 0,3%, 0,55%, 0,77% and 0,4% respectively (World Bank Group, 2005).

However, the major shortcoming of Turkey, when compared to other cases, is the lack of foreign direct investment. And as such Turkish industry can be perceived as lacking behind funds to be transferred to the increase of productivity and development of products. As can be seen in the following table (4.6), Turkey has started to lag far behind similar cases after the period of financial liberalization and transition to democracy affecting the inflow of capital. While in 1972, which was the period of ISI in most of these cases, the level of FDI into Turkey represented about 1,25% of gross capital formation, compared to 0,86% in Argentina, 4, 81 in Brazil and 3,27 in Mexico, pointing to no discernable pattern. However, as early as 1989 the figure was 2,63% of capital formation in Turkey, compared to 8,64 in Argentina, 18,52 in Chile and 5,44% in Mexico. This figure is going to increase in all cases, but Turkey in 1996, with only 1,62% in Turkey, 14,11%, 6,9%, 27,01% and 11,96% in Argentina, Brazil, Chile and Mexico.

Table 4.7: FDI, net inflows (% of gross capital formation) and Research and Development Expenditures as a percentage of GDP⁷⁸

Country	Series	1972	1978	1983	1989	1996	1997	2000
Argentina	FDI	0.86	1.55	0.85	8.65	14.12	16.15	22.64
	R and D	..	..	..	..	0.42	0.42	0.44
Brazil	FDI	4.82	4.35	4.74	0.99	6.91	11.32	25.29
	R and D	..	..	..	..	0.77	..	1.04
Chile	FDI	-	5.59	6.93	18.53	26.12	25.72	28.62
	R and D	0.06	..	..	..	0.58	0.54	0.53
Mexico	FDI	3.28	3.41	7.10	5.44	11.96	12.37	12.03
	R and D	..	..	..	..	0.31	0.34	0.37
Turkey	FDI	1.25	0.35	0.46	2.64	1.62	1.69	2.01
	R and D	..	..	..	..	0.45	0.49	0.64

The above demonstrates that Turkey is lagging behind in terms of ability to attract FDI. Given that its level for R&D is fairly close to that of similar countries with similar levels of industrialization, the interviewees likely feel that they risk lagging behind in terms of technology. Given that this occurs in an environment where interviewees are aware of the fact that capital is mobile political reforms is stressed as key in order to attract FDI.

“Large businessmen, bosses do not usually want the type of reforms pushed by TÜSIAD. But the world has become global. In a global environment, international capital prefers more transparent, more ethical and straightforward places. For this reason Turkey has two worries in the long-term. One is to increase exportation and the second is to attract foreign capital. Issues such as transparency, ethics and corporate governance are very important for both (Argüden, 2002).”

“Foreign capital entries to Turkey have decreased to their lowest level of the past ten years. We can interpret this as the most obvious indicator of negative expectations about our country’s economic and political stability. Although Turkey needs foreign capital to accelerate its development, and has the potential to realize this, it gradually gets a smaller share of foreign capital flows (Eczacıbasi, TÜSIAD, 22/10/1998).”

⁷⁸ Source: World Bank Group, World Development Indicators, <http://devdata.worldbank.org/dataonline/>, retrieved on May 17, 2005.

“[When speaking of the importance of the rule of law and certainty] “I would not want to invest in Burundi; I cannot expect someone to invest in Turkey (Kaslowski 2002)”

As such themes such as political and economic reform, the rule of law and certainty come up often both in TÜSIAD’s official stance and my interviews. In addition to political reform there was also in some of my interviews the desire to emphasize changes in the qualitative role that the Turkish state can fulfil to help the private sector in international competition for exports and FDI. Some of my interviewees felt that the state could do more to increase the international respectability of Turkey, hence political reform, a new development paradigm and a new role for the state go hand in hand given the technology needs of industry.

However, it should be noted that internationalization presents both pressures and opportunities. Asked whether TÜSIAD members pushed for reforms to remain competitive or whether they did so because they already felt the strength to compete, a top ranking professional at Koç Holding gave the following answer outlining the importance of FDI and competition:

[...] There has been the emergence of an industrial structure capable of merging with Europe [...] We have to consider the role of joint ventures here. There are 3600 joint ventures in Turkey and foreign organizations. These are mostly industrial organizations, I want to give a few examples: Mercedes, Daimler-Benz has been in Turkey for 30 years, Siemens for 40 years, Bosch has been in Turkey for 25 years. These firms had already chosen Turkey as a production base, before our integration into Europe had even started. These started for the domestic market, before, it started with import substitution, when we decided to produce instead of importing, for example the automotive sector started this way, After going through a period of infancy and reaching adolescence, at that moment industry became capable of exporting. Today [Turkey] exports Dunlop to the rest of the world, FIAT, Renault builds the Megan for the entire European region here, Daimler-Benz builds buses for Europe and the rest of the world here in Turkey, all the parallel [automotive] industries started this way. There are now international brands in textiles, from Lafayette to Burberry’s, I don’t know if there are any

in Canada, but most of the textile products in America are from Turkey (Kudatgobilik 2002).

Hence, joint ventures between Turkish Holdings and foreign firms do enable Turkey to export higher end products. Most of the companies cited by Kudatgubilik are joint ventures that Koç Holding has. As such, the discussion on the importance of technology and FDI also shows how internationalization creates both opportunities and pressures. My interviews, suggest that TÜSIAD is active politically partly to ensure that the conditions for the private sector are there to remain competitive, but the possibility of foreign partnerships is also due to the fact that Turkey has become a potential entry point into the EU for foreign firms (Onis, 1994, pp. 102-104).

IV.4.2. Internationalization and perceptions of state intervention

The need to stay competitive is also key in shaping TÜSIAD's perception of the state by further making detrimental the shortcomings of the Turkish state in the areas it chooses to intervene. My interviewees mainly complained about higher energy prices in particular and higher input prices in general, but also inadequate infrastructure (mainly transportation and communication). While this is not directly related to demands for increased democracy, it does lead to a break from the state on several levels. TÜSIAD and its members have increasingly talked of good governance in order to make the private sector more efficient. Furthermore, TÜSIAD, and some of my interviewees, emphasized liberalization of certain areas as a means to make the Turkish economy more productive by making more efficient use of resources. As such, the need to stay competitive and the

broader international environment bring forth state reform as an important issue⁷⁹. This is an indication that the perceived needs of TÜSIAD members, the international economic and intellectual climate coupled with the inadequacies of state intervention helps trigger a growing sense of legitimacy of the private sector as a political voice that tackles broader issues than its narrow interests. But those are issues best discussed in the next chapter on specifically TÜSIAD members' relations to the state. For the time being I will mostly focus on the opportunities and challenges created by growing internationalization.

In conjunction to outlining the shortcomings of the Turkish economy, economic liberalization has also given the private sector the opportunity to seek or observe alternative capital accumulation strategies, which work to make it a more autonomous political force. Table 4.5 had illustrated that the activities of Holdings linked to TÜSIAD, albeit limited, have increased over the years. The growing mobility of not just international capital but also Turkish capital has helped TÜSIAD members assess the shortcomings of the Turkish state on several levels. First, they have been able to contrast the services and business environment offered by the Turkish state to other business opportunities. Two interviewees gave specific examples of instances when they were offered very advantageous conditions for investment by foreign governments. This, they pointed out, stood in sharp contrast to the lengthy bureaucratic process involved with investing in Turkey and higher input prices (Kurtsan 2002; Yücaoglu 2001). As such, growing internationalization and opportunities existing elsewhere is something that

⁷⁹ In general, this goes hand in hand with the discourse found in some TÜSIAD speeches and some of my interviews that is in line with how private sector across the world is increasingly taking over areas of life previously under state control, and how it should be the same in Turkey should it integrate more fully with the world.

Turkish capital witnesses first hand, which raises issues such as good governance and a re-evaluation of existing state policies in Turkey.

Second, partnerships with foreign companies and trade further reinforce this line of questioning and scepticism about the Turkish state's intervention by offering possibilities for growth that were previously not present under state led models of development. One interviewee, Mehmet Suhubi, went into great detail to outline how he had formed a partnership with an American firm and how this eventually has changed all of his operation and perception of the Turkish state:

“The partnership in 98 started with 30 people. How large is it now? 380 people. And what is the difference between my receipt today and my receipt in 98? It is ten times more. How is this possible when everyone is going bankrupt in Turkey? It has to do with exportation. People who have decided that they have no other option than exporting are in [TÜSIAD] now. What has this brought us? A high value added automotive sector and the exportation of textiles [...]. The businessman's mentality has changed. [...] Why does Turkey not go bankrupt with this political system? Because exports are still at 34-35 billions of dollars (Suhubi 2002)”

Another impact of foreign partnerships, international trade and opportunities abroad have been on the specific organization of firms linked to TÜSIAD. As I will show in a separate section on how the organization and control of private enterprise at a more micro level have evolved, these elements force business to adopt more formal norms when doing business. This, as will be demonstrated subsequently, creates tensions between the informal nature of state-business relations that existed and the new norms that private enterprise has had to adopt.

In the meantime, however, it is important to conclude by pointing to the fact that the above discussion illustrates that TÜSIAD's demands can be linked to the combination of liberalization and growing internationalization of Turkish capital. The greater

openness and vulnerability of the Turkish private sector to competition since the early 1980s have created new needs such as foreign investment and international respectability. These have in turn created a desire to become part of a major trading block in order to gain the benefits from growing trade and capital mobility, hence creating opportunities that were not necessarily present before. In parallel, and more importantly, this desire and the new needs created have brought to light the short-comings of state intervention in Turkey, which has contributed to a shift in how members of TÜSIAD perceive the state on the one hand, and their dependence on it on the other.

The new environment in which TÜSIAD members operate represents a mix of opportunities with new vulnerabilities that are enough to make the potential benefits of reform outweigh its costs. In other words, TÜSIAD members are confident enough in their strength economically and politically to accept a new political and economic arrangement yet they feel vulnerable enough to seek reforms that would help the private sector. As such, the proposed reforms also demonstrate a shift in the development paradigm promoted by TÜSIAD and its members, from proximity to the state to closer relations with the international economy. But why has TÜSIAD chosen to integrate even more to the international economy instead of being a reactionary force alone to increased liberalization? For an answer to this I also concentrate, in the next section, on why the reforms are also deemed necessary because of domestic conditions and the evolution of TÜSIAD member firms.

IV.4.3. The evolution of large Turkish capital, uncertainty and TÜSIAD's demands

As noted in the introductory survey, the striking feature of TÜSIAD members is not only that they have become more international, but also that they represent large capital intensive firms and holdings. Therefore, a discussion that attempts to link their changing needs to TÜSIAD's demands cannot be complete without juxtaposing these characteristics to growing internationalization. Over the period studied TÜSIAD members' operations have become much more capital intensive, and, increasingly complex and professional. Added to these changes are the problems of the Turkish economy that has become inadequate to respond to the new needs of capital, due to factors such as uncertainty, low domestic and government consumption and the lack of skilled labour, to name just a few. This tension between a changing private sector and an inadequate business environment not only makes outward oriented models of growth more appealing to TÜSIAD, but also highlights the problems to be solved domestically to sustain growth and become competitive internationally. The complex relationship between all of these factors was well summarized during one interview:

“[The only factor] is not the EU. [TÜSIAD] realized what the absolutely necessary conditions after the transition to a liberal economy: labour rights, civil servant rights and political stability. [TÜSIAD] became conscious of the fact that these could promote foreign investment and expand markets. There is a need for skilled labour now. For these reasons, issues such as education, democracy, Cyprus and human rights have come to the forefront of the agenda. [...] There is a private sector that is ready to compete, instead of selling to the state (Varlier, 2002)”

Discussing these issues will illustrate that TÜSIAD members have pushed for political change in line with their broader and long-term interests as capital as opposed to a short-term reaction to the crises that have plagued Turkey since 1994 and the intensification of relations with the rest of the world.

The first change, endogenous to business organizations, is that the firms of individuals linked to TÜSIAD have become more capital intensive and productive⁸⁰. A brief glance at the Turkish economy helps discern and support such a trend. The percentage of workers employed in industry decreased from 32,6% in 1984 to 21,8% in 1996, while the share of industry in value added increased from an around to 20% in the 1970s to about 30% during the period from 1985 to 1996. This shows that the share of industry in the creation of value added remained constant for a decreasing rate of employment, pointing to increased productivity. The more striking figure is the rise that the share of manufacturing in exports has witnessed over the period studied. It was just around 2% of exports in the 1960s, increased to about 27% in 1977. It is in the late 1980s, however, that manufacturing exports reached about 66% of exports on average, and 75% from the early to mid 1990s. (World Bank Group, 2005). Changes in value added, the use of labour and the sheer increase in the share of manufacturing in exports all point to the fact that this sector has become more productive and more important in size after a period of capital accumulation.

While it is difficult to access firm specific data it can still be extrapolated that these changes have been deeper in the case of large groups involved in TÜSIAD. One just needs to remember the data provided in the introductory section of this chapter and on tables 4.4 and 4.5. Just over 200 members' firms interviewed within TÜSIAD

⁸⁰ As noted by a source close to TÜSIAD and one major corporation.

produced over 40% of the value added in the manufacturing, construction and banking sectors of Turkey (TÜSIAD 1997a). Typically, establishments in Turkey with over 1000 employees, which are where the TÜSIAD members are originally drawn from, represented just over 1% of business establishments in Turkey from 1993 to 1999. However, these also produced 34,27% of all the value added in 1998 (Devlet-Istatistik-Enstitüsü 1999). This fact was also noted by the General Secretary Haluk Tükel, along sources close to TÜSIAD, by pointing to the fact that a large portion of value added, and hence taxes are really “financed by just over a thousand individuals in Turkey” (Tükel 2002). As mentioned before, it is very difficult to access firm specific data on the type of capital used or levels of productivity. But the fact that so few firms are able to produce a significant proportion of Turkey’s value added points to the fact that these establishments have become much more capital intensive than the rest of the economy.

The types of sectors TÜSIAD members have moved into, as was shown in table 4.2, have also changed further signalling to the type of transformation low value added sectors towards a greater value added more capital intensive industry, like machinery and transportation. The share of value added of these sectors was 8,5% in the 1960s compared with their rise to around 16-18% in the 1990s. However, the change is not so meaningful when compared to the 1970s when the share of these sectors was around 15% of value added (World Bank Group, 2005). Nonetheless, it still demonstrates a broader long term shift in the nature of Turkish industry that has become more active in capital and technology intensive domains. And furthermore, it should be remembered that these sectors are also the ones where TÜSIAD members are actively exporting in (TÜSIAD 1997a).

For a more qualitative appraisal of this change I turn to one interview, which linked TÜSIAD's demands to the changing structure of industry:

“Turkey was a country that was exporting raw materials and agricultural products. During the 50s and 60s Turkey was selling wheat and salt. In the 1980s Turkey has tried to catch up to world technology and in doing so turned from its characteristic specialty agriculture to industry. Today 85% of its export are in industry, so it is the exact opposite of what it was 50 years ago. We are not entirely an industrial nation, but despite this the intermediate products we produce, not high tech products, we are not Japan or South Korea, has created an industry capable of merging with Europe. In doing so Turkey has reached world standards in consumer durables, in automotive and textiles (Kudatgubilik, 2002).”

“[Turkey] has to integrate its trade with the European Union very rapidly, it has come very far especially in two sectors automotive and textiles, and the third is consumer goods such as Arcelik [a consumer durables brand] (Argüden, 2002).”

How have these changes affected TÜSIAD's demands? One major area of concern in TÜSIAD speeches and the link drawn between the need for political reform and the economy is the desire for stability. The Turkish economy has been plagued by uncertainty characterized by financial crises, high inflation and extremely variable growth rates since the end of the 1980s. From the start of market reforms in the early 1980s up until 1989 the annual growth in GDP fluctuated between 3,5% and 7,01% to reach a high of 9,48% in 1987. However, after a low of 0,25% in 1989, GDP growth is going to fluctuate extensively between periods of expansion above 9% in 1991 and 1992, and, recession of -5,45% in 1994. TÜSIAD often targets sources of uncertainty, such as high inflation and interest rates, which it links to economic policy and political instability:

“Speculations about early elections are always on the agenda. The next election becomes the determinant of every political and economic decision, there is no one able to look beyond the next election left. [...] As long as political instability remains, it becomes impossible to take the necessary measures to ensure economic stability. The economy is forgotten and loses its place in the country's agenda, while everyone is busy dealing with political struggles. That the economy does not enter a crisis becomes the only measure of

economic governance. We then realize that we have become the world champions in inflation, but we are not even aware of it (Eczacıbaşı 1997)”

“[...] That Turkey’s democracy and all of its institutions function well concerns also the Turkish economy closely. I want to substantiate this claim by drawing your attention to a recent issue. [...] All the constitutions to this day have given governments the responsibility to draft the yearly state budget. The budget has to be approved by the national assembly. But in practice there is no role given to the national assembly to check whether spending has been done according to the approval (Komili 1994)”

The types of speech, from which these excerpts are taken, are interesting not only because they stress the importance of good governance, but also because they build a direct relationship between a well functioning capitalist economy and democracy. It should also be emphasized that these speeches present a preference for causal relationship that gives primacy to democratic institutions as a precondition to heal the Turkish economy. This is further evidence that TÜSIAD sees political change as necessary given current economic conditions. The solutions typically presented by TÜSIAD speeches are political stability, mainly through electoral reforms, good governance and the rule of law⁸¹. While the details of the proposed reforms are dealt with in more descriptive chapters, it is important to note that one of the links that TÜSIAD builds between these reforms and its own economic interest is to stop inflationary spirals and economic uncertainty by making officials more accountable and creating a more stable government that can implement more medium term economic policies:

“The two round electoral system is a precondition to create strong and stable governments needed by Turkey. All the parties that are represented in our parliament must arrive at a consensus on this subject (Berker 1996).”

⁸¹ The TÜSIAD publications therefore include several on electoral reform (TÜSIAD 1995b; TÜSIAD 1996a; TÜSIAD 1997h; TÜSIAD 1998b), some on good governance (TÜSIAD 1992c; TÜSIAD 1995a; TÜSIAD 1995d; TÜSIAD 1997d; TÜSIAD 1997m) and in addition to the democratization report several work on the rule of law (TÜSIAD 1997c; TÜSIAD 1997d).

We have changed governments five times just in the last two years. Within this environment governments have always shunned from taking political risks. Long term decisions have always been postponed and economic policies have only been directed to controlling short term fluctuations (Kayhan, 1998).”

The proposed medium term economic plan usually includes the following themes, as summarized by the then Chairman Komili in a 1995 speech:

“The Turkish economy strongly needs [a medium term stability program]. This program must include certain reforms, which are:

- 1) Increasing the productivity and competitiveness of Turkish industry through privatization, attracting foreign capital into the country and incentives to renew technology.
- 2) Developing institutional restraints on state spending.
- 3) The development of all necessary laws and institutions that permit the collection of taxes on a fair, widespread and in a manner that promotes recorded economic activity, so that it becomes an efficient fiscal policy tool.
- 4) The reform of the bankrupt social security system (Komili, 1995).”

This type of longer-term concern for economic stability stands in contrast to the experience of Turkish Holdings, as outlined by previous studies. Building particularistic ties with state officials, diversifying their portfolios and investing in wide ranging sectors gave Holdings, according to Bugra’s study (1995), the ability to adapt to economic uncertainty. This is also confirmed by studies that point to the fact that Holdings pretty much worked like financial institutions that benefited from high interest rates and government bonds. In other words, the cost of high government spending was compensated for by high interest rates that the private sector obtained on bonds and subsidies towards firms (Waterbury, 1992, pp. 45-62). How the Turkish private sector operated is well summarized by Mehmet Suhubi in his interview:

“Governments constantly had recourse to easy external debt; they then used this in wrong places and eliminated the opportunity to service the debt. Banks turned a blind eye on this, businessmen were also ignoring it, they were investing in government bonds without risking losses, banks were borrowing from outside and investing it in [bonds].

Businessmen were using the advantage of rapid growth and expanding fast with the “I will grow as much as I can get from Ankara [the State]” mentality, creating employment. Turkey’s population was constantly growing, investments were directed to wrong places, easier investments were chosen and chances of servicing the debt were lost due to low value added investments. In an environment like this it was apparent that the end was in sight, the 94 crisis was an alarm bell (Suhubi, 2002).”

. In sum Turkish firms and Holdings previously operated much more like financial institutions rather than industrial organizations. The emphasis placed on uncertainty in the above commentaries coupled with the changes to more capital intensive sectors signals that TÜSIAD increasingly represents the interests of its members as real sector producers, who are widely affected by uncertainty and the inefficient use of taxes. This sector has become much more vulnerable to uncertainty because high capital and high productivity investments are typically more long-term. Responding to uncertainty through diversification and financial investments has, therefore, lost its viability making the prospect of a stable political system more appealing.

This change is further amplified by the source and burden of capital formation making the emphasis TÜSIAD officially places on the damaging effect of uncertainty even more crucial. Most of the burden of capital investment is directly financed by firms’ own capital given several factors. First, as seen before the share of FDI in capital formation is low. Second, state subsidies to industry have declined since the 1980s and the period of economic liberalization. And third, the stock market represents a very small share of each firm in Turkey where firms are mostly family owned. Given that domestic credit to the private sector is not much higher than in comparable cases, 22,8% of GDP in Turkey, 20,18% in Argentina and 18,79% of GDP in Mexico, most firms’ investment comes from its own capital.

With more capital intensive investments financed by the business community itself, the stakes have therefore gotten bigger for capital that needs a longer term prospect and protection for its operations. As noted by the General Secretary of TÜSIAD, Haluk Tükel (2001), “[TÜSIAD members] want to use capital well, but crises take away most of the investment”. The vulnerability of even large Turkish corporations to the crises was echoed by two other interviewees Kaslowski and Suhubi who have emphasized the fact that even most large corporations have lost a sizeable portion of their assets due to the crises (Kaslowski, 2002; Suhubi, 2002). This situation is therefore a shift in the preferences of TÜSIAD from the period when large capital could avoid uncertainty in the ways it organized and built its relations to the state. Capital intensive production therefore dictates new sets of relations to the state and the need for a new politico-economic environment. One such element emphasized during my interviews and linked to TÜSIAD’s demands was the more social dimensions of democracy, which was seen as necessary to have a productive labour force on the one hand and a large internal market on the other. I now turn my attention to these sets of demands.

IV.4.4. Capital intensive production and the social dimension of democracy

Two related issues that were brought up in interviews and can help explain the changing demands of TÜSIAD are income distribution and education. These two elements also happen to be the subject of two TÜSIAD reports⁸². The first, income distribution, touches on the need for larger markets in capital intensive production; the

⁸² TÜSIAD (1990) *Türkiye’de Eğitim* (Education in Turkey) and TÜSIAD (2000) *Türkiye’de Bireysel Gelir Dağılımı ve Yoksulluk* (Individual income distribution and poverty in Turkey).

other signals a change in relations between capital and labour in this new high productivity-large market complex. Both of these are key elements of growth and productivity, and, explain the more social-economic dimension behind TÜSIAD's demands and help explain the link between domestic factors and TÜSIAD's desire to become international better.

Higher capital and higher productivity industries require larger markets in order to benefit from economies of scale. The limited size of the Turkish market came up in many of my discussions with members of TÜSIAD as being problematic and it is also indirectly dealt with in TÜSIAD speeches through issues such as income distribution. The small domestic market, at least one not developed to its full potential, was characterized as hurting Turkish industry during my research, because it prevents the development of industry and its ability to be entirely competitive. In fact, GDP per capita in 1996 was only 2881 US\$ compared to about 2100 on average over the 1970s, indicating that purchasing power has not increased considerably over the period studied⁸³. As such, the size of the domestic market was presented by some of my interviewees, mostly those tied to large Holdings, as one major area of concern that can be tied to TÜSIAD's desire for more meaningful political reform, and this for several reasons. First, it leads members of TÜSIAD to concentrate on the more social and economic dimensions of democracy.

My interviewees felt that income redistribution was key in stimulating growth and giving business access to a larger market (Berker, 2002; Eczacibasi, 2001). Second, skewed income distribution was seen as an element forcing Turkish business to look for an outward oriented growth model in order to have access to larger markets on the one

⁸³ For a detailed analysis of income distribution during the post-1980 period please see Boratav (1989).

hand, whilst hurting its competitiveness on the other because of limited economies of scale.

“We have to achieve growth. Increasing the purchasing power must go through growth but also by correcting income distribution. What is important again is to have economic equilibrium. We are happy because we are growing fast for two years in a country where macro there are macro-economic disequilibrium, we then realize that this growth has been offset by large drops, the national income has not grown in a country where the population growth is 2%. In this environment the market does not grow, and the private sector cannot find markets. Worsening income inequality is also a function of inflation. As such, when we speak of creating markets we have to speak of fast and balanced growth (Eczacibasi, 2001).”

During our interview Oktay Varlier (2002), also linked to one of the larger Holdings, felt that Turkey could take even greater advantage from trading with the EU only if it developed its own market and looked to trade with countries in Central Asia in order to benefit from economies of scale; pretty much like Spain had done with South America.

For these two interrelated reasons it can be asserted that TÜSIAD members view a benefit to the social and economic dimension of democracy, and are not, as would be predicted by structuralist arguments of capital, afraid of reforms on these levels. Another related issue, though never dealt with all its implications is the need for regional development and the emphasis on economic and social solutions to the Kurdish issue. It follows from the above discussion that TÜSIAD's take on the South Eastern conflict, which is more nuanced than other civil society organizations, can in part be linked to a desire of having a larger market and balanced growth.

As for education, the common underlying factor to the problems faced by members of TÜSIAD, as discussed above, is the fact that industry is since the 1980s engaging and competing in more capital intensive sectors, such as automotive that has

become one of the recent champions of exportation. As such, productivity has gained primacy in being competitive over cheap labour. Most of my interviewees highlighted the lack of a skilled workforce as a problem faced by the Turkish economy, and realized that Turkey could not compete in world markets based on a wage advantage. This is why the lack of a properly functioning training and education system, able to create a skilled workforce, was one area of complaint coming from both my interviewees, and, TÜSIAD speeches and publications. This helps explain in part why TÜSIAD concentrates on the more social aspects of democracy such as education and labour rights. It is worth noting that one of the first extra-economic reports published by TÜSIAD was on education in 1990⁸⁴. This is also supported by interview data:

“There is a need for skilled labour now. For these reasons issues such as education, democracy, Cyprus and human rights have come to the forefront of the agenda. [...] There is a private sector that is ready to compete, instead of selling to the state (Varlier, 2002).”

What these points illustrate is that Turkish capital, in the least TÜSIAD, has developed in such a way that it needs to recognize the primacy of productivity, certainty and a capacity for long-term planning. All of which bring about more substantive elements of democracy on the one hand, and more systemic reforms that provide checks on the state and a more stable business environment on the other to sustain a high productivity-skilled labour complex. Given the uncertain demand faced by industry, it is also possible to say that outward looking models of growth are seen as more viable sources of stable revenue for industry. The limited size of the market and its instability force industry to focus on exportation. But international competition also creates pressure

⁸⁴ It is also worth noting that two large groups associated with TÜSIAD, Koc and Sabanci, have established their own private universities over the period studied. Local chambers of commerce have also begun establishing universities across Turkey.

for change in the form of state reform and increased democracy. Hence, it is possible to say that both increased competition and endogenous changes have contributed to the demands of TÜSIAD, but it is impossible to dissociate external pressures from domestic economic factors in doing so. The last area I will turn my attention to is to assess how these two levels have specifically affected the way in which Holdings are run at a more micro level to see how these changes can also be conducive to increased demands for state reform.

IV.4.5. Micro-organizational changes and TÜSIAD's demands

On a more micro-economic organizational level, it is also possible to say that the above high capital-high technology complex has led to more complex industrial organizations. A very basic observation is simply the fact that the number of firms owned and controlled by Holdings has become considerable, compared to the period from the 1950s to 1970s, when these Holdings were making their first start in manufacturing. As shown by the following table, the two largest Holdings control more than 60 firms, while the smallest in this table controls more than 10.

Table 4.8: Holdings linked to TÜSIAD and number of firms they controlled in 2002

Name of Holding	Number of Firms	Employees
Eczacibasi Holding AS	36	7300
Koç Holding	96	54000
Enka Holding	14	NA
Sabancı Holding	66	NA
Borusan	21	3830

Sources: Alarko Holding (2006), Borusan (2006), Eczacibasi Holding (2006), Emka Holding (2006), Koç Holding (2006), Sabancı Holding (2006) and Bugra (2005)

A factor that should be combined with this observation is the fact that these Holdings, as was seen before, are now operating in diverse sectors. Furthermore, they also have large numbers of employees. The growing size and diversification that these Holdings underwent is expected to necessitate increased professional and managerial control, as well as the adoption of governance structures. Therefore, one would suspect professional managers to increase in number and also gain importance within these organizations. This shift is attested to by the growing number of professionals who have become members of TÜSIAD, as seen in the background chapter. The increased reliance on professionals was also attested by some of my interviewees. Feyyaz Berker, co-owner of Tekfen Holding, as well as Varlier, a professional manager at Alarko Holding, reflected on the fact that more and more bosses were trusting professionals to run important aspects of companies (Berker, 2002; Varlier, 2002).

In her general analysis of Holdings, Bugra (1995) had noted that family control of these organizations had given them greater access to state resources through informal linkages. Hence, she concludes that informal state-business relations not only reinforce

family control of Holdings, but also leads members of the private sector to be more committed to informal relations rather than greater formalism. As such, some (Biddle and Milor, 1997) are skeptical about the degree to which an association such as TÜSIAD, whose members have benefited from informal channels to the state, can be committed to state reform. Accordingly, two interviewees directly involved in sectors related to these shifts, Basaran-Symes and Kaynar, did stress that the change was far from complete⁸⁵. Basaran-Symes (2002) noted that firms were still very family centred and patriarchal, which made it difficult for qualified professionals to excel in, while Kaynar (2002) emphasized the fact that professionalization of enterprises touched only a segment of the private sector and was only a recent trend.

“How are managers going to be recruited with inheritance and the increase in the number of family members? This is why firms like ours [head hunting] have started to play a very important role in the past three years in terms of: choosing the board of directors, CEOs and the transition to fully professional firms. If out of 100 we gave a grade of 70 to England [in terms of professionalization], I would give Turkey a 30. We are very far behind. But we are very advanced compared to Iran or Syria [...] But we are at a turning point, last years 2001 crisis was a turning point. Up to now everyone was growing and earning or losing money. They have noticed this now. In 2001 banks that were well managed did not go bankrupt [...] Firms that are managed well do not go bankrupt. The real sector is likely to follow this trend in banking (Kaynar 2002).”

Nonetheless, the above quote signals that the private sector does see some benefit to greater formalism and professionalization, TÜSIAD even translated a book on corporate governance. As such, this slowly growing trend can increase the private sector's commitment to state reform. The quotes below signal that there is a definite trend and illustrate why even family managed firms would desire greater formalism in their relation to the state for the day-to-day management of their firms.

⁸⁵ Basaran-Symes is senior partner at Price Waterhouse-Coopers, while Kaynar is a corporate headhunter.

“There are more professionals. This is the way I see it. The boss is one of the players who plays soccer on the field, but there is a need for professionals who can look at the game as a spectator from time to time. Because the [boss] invests him/herself, he/she cannot see in a very clear way, he/she can make mistakes. Professionals have an advantage, they can look from outside. The businessman constantly thinks of his work, of his money and investment. His 24 hours are spent like this. Professionals spend 8 hours like this and rest for 8 other hours. Because they can rest they do have more perspective. They can see things that bosses do not. As such, their contribution to the business community is clear. Within places like TÜSIAD this presents different perspectives. I don’t know if there are many professionals [in TÜSIAD], what the exact ratio is but there are probably 10 to 20% (Eroglu 2002).”

“Firms tied to TÜSIAD are fed up with the following; they make considerable efforts to manage their firms, but because there is bad governance in some governments...not the people in government but in practice it is very bad. In Turkey for example the cost of energy or telephone. It is very easy to meet the minister at the top, they would even grant me a meeting, but in practice at the level of low ranking officials there is no good governance [...] TÜSIAD member firms are on an every day interaction with the state and feel that there should be a public sector reform (Argüden, 2002).”

As such, there is growing tension between shifts within the private sector and its traditional relation to the state. An added source of tension on this level is the effect that growing internationalization has had on enterprises. Perhaps the more pervasive and long-term effect of growing trading and investment partnerships of the Turkish private sector is the fact that these force it to adopt international norms of corporate governance. In more general terms, one of my interviewees close to TÜSIAD, who knows the needs of the private sector well, emphasized the fact that doing business internationally has forced the members of TÜSIAD to adopt “codes” that did not exist before. Some of my interviewees saw a shift in the private sector, and more specifically in the members of TÜSIAD, which growingly adopted international norms, forcing greater accountability and formalism in the way business is conducted. This theme was also echoed in one of my interviews by a TÜSIAD member:

“Large businessmen, bosses do not usually want the type of reforms pushed by TÜSIAD. But the world has become global. In a global environment, international capital prefers more transparent, more ethical and straightforward places. For this reason Turkey has two worries in the long-term. One is to increase exportation and the second is to attract foreign capital. Issues such as transparency, ethics and corporate governance are very important for both. In an environment where the legal system is not working properly this takes time. So I think that the number one priority for firms should be to internalize these practices (Argüden, 2002).”

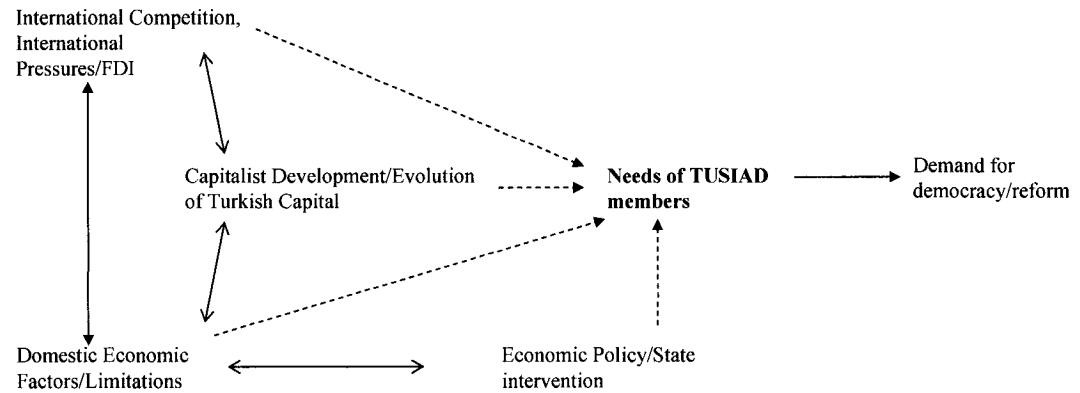
As such, it is important to note that growing internationalization has contributed to creating a tension between a segment of the private sector that has to adopt norms of accountability and performance on the one hand and a state that has shortcomings in the area of good governance on the other.

IV.5. Concluding remarks: the evolution of the private sector's needs and contributions to the literature.

It was shown in this chapter that economic conditions faced by TÜSIAD and its members are important in explaining their demand for increased democracy and reform. This shows that under certain circumstances business can go beyond its short-term interests to press for more fundamental changes that will be advantageous for its longer-term interests, unlike the previous periods studied by the existing literature. As discussed, the change is due to the combination of international pressures, liberalization and domestic economic conditions.

But what makes TÜSIAD's demands even more pervasive in the long-term is the capitalist development its members have undergone, which make the problems they face

more salient and democracy more desirable. It was also demonstrated that it is the interplay of all of these factors that are important in creating new needs for TÜSIAD members, and make apparent their shortcomings. As such, we have to view the political stance of the economic elite as a more complex causal mechanism rather than assign more weight to one particular factor, as illustrated in the following diagram.



The Interplay of international and domestic economic factors in TÜSIAD's demands

These observations make two contributions to the existing literature. The first has to do with the discussions on the capitalist class's regime preferences. The evidence presented here is not adequate to refute claims about regime outcomes being the product of class conflict on a more macro-historical level. The amount of threats faced by TÜSIAD from popular groups is probably not as strong as it was over various periods and cases presented by such authors as Rueschemeyer, Stephens and Stephens (1992).

Nonetheless, the analysis does provide ample evidence pointing to the fact that the way the interests of members of the private sector evolve can make them more prone to supporting democratic institutions and significant change towards state reform. As such, the same way that this analysis is not adequate to tackle broader questions about class conflict, so too historical studies should not be used to make predictions about the likelihood of democratic consolidation in newer democracies, without first looking at how the interests of the economic elite have evolved.

The second, and the sounder, contribution is to the more institutionalist literature that studies state-business relations. This literature has tended to focus on the state, more than business itself, to understand and predict developmental outcomes. This was done because of the lack of entrepreneurship and often myopic vision attributed to business, which was perceived in being more interested in short-term gains and benefits. Hence, any change to this group's entrepreneurial spirit and the manner in which it conducted its interactions with the state had to come from the latter. Bugra's analysis of the 1970s and 80s, definitely confirms that this view also holds for Turkey: the shape that large capital had taken was largely determined by the constraints and opportunities imposed by the state. However, the current analysis demonstrates, under some circumstances and after periods of development, that business can also adopt a long-term perspective and can also become a source of pressure for change.

The last observation is not only an important finding in itself, but it is also part of the tension between the Turkish state and TÜSIAD members. As such, I will turn to the next chapter to deal with state-business relations in Turkey in a more focused manner. Changing my focus to this level will also have the advantage of tackling two questions that remain to be answered. The first one is the fact that in many late-industrializing

nations, business has been facing similar conditions to Turkish capital, without demanding an expansion of democratic rights or posing a challenge to the dominant discourse. The second issue is an extension of the previous. Since it was widely accepted that in Turkey, as in the case of most late-developing countries, business historically lacked political and ideological autonomy, where does TÜSIAD get the increased desire to tackle the state from?

In other words, these two questions indicate that economic changes were a necessary condition for TÜSIAD's demands for reform, but that they are not sufficient to fully grasp the stance adopted by the association. In order to address both problems, I will therefore look more specifically at the changing nature of state-business relations more closely in the next chapter.

CHAPTER 5: STATE-BUSINESS RELATIONS, TURKISH BUSINESS AND TÜSIAD'S DEMANDS

V.1. Overview

The previous chapter demonstrated that economic liberalization and the internationalization as well as the growth of TÜSIAD members had created new challenges and opportunities. These, in turn, created needs that were more compatible with democracy and brought about the issue of state reform because they served the double purpose of giving greater autonomy to TÜSIAD members and making the shortcomings of state intervention apparent. However, the period when the private sector started to experience the effects of liberalization, combined with its expansion to newer sectors, have done more than shape TÜSIAD member's instrumental goals. Conversations with my informants revealed that they have also heavily influenced their perceptions of the state and their own position in society.

In this chapter I am therefore outlining how a shift in TÜSIAD members' relation to the state contributed to their demands for increased democratization and, perhaps most importantly, to their tackling of highly taboo issues previously falling under the monopoly of the state. There are several reasons to adding this perspective to the previous chapter's attempt to link the association's demands to changing economic needs.

First, if scholarship on Turkey and other late-industrializing countries is right, the general conservatism or political weakness of the business community lie on its historical

lack of ideological power and level of entrepreneurship. The economic changes that affect TÜSIAD members do not happen in a vacuum. This chapter will therefore give me the opportunity to judge whether and how they have interacted with the ideological power of business and its entrepreneurial function. In doing so, the discussion will also shed light on whether this less material level in business-state relations is one determinant of the private sector's political stance.

Second, many cases with similar levels of development to Turkey and much greater levels of internationalization have not witnessed a growingly militant business community. Consequently, looking at TÜSIAD members' relations and perceptions of the state in this chapter and the association's role in the next will help assess whether there are factors unique to Turkey.

Third, most arguments about the conservatism of business rely on assumptions regarding capital's level of structural power. In other words, the reason the private sector does not want or need political change rests on its disproportionate ability to influence the state. Why then has TÜSIAD pressed for increased democratization after a period when the capital intensity and scope of sectors its members are engaged in had increased? This question therefore warrants a closer examination of how my informants perceive their ability to affect the state and whether this has had an impact on their demands.

Fourth, and related to the previous point, the state did not respond adequately to the evolving needs of the private sector as outlined in the previous chapter. Most informants had, for example, complained of the fact that they were unable to compete internationally due to the high cost of state services and goods. An examination of why the state is unwilling or unable to cater to these needs requires a closer examination of the perceptions of my own informants and of the literature on Turkish state tradition.

By centering the analysis on these four issues I will address on the one hand whether business can become more confident in its own power after a period of economic liberalization and development and, on the other, whether there is anything particular to the Turkish state that would lead business to break its ties.

In order to achieve this, the chapter will first remind the reader of disagreements about the relationship of large business to the Turkish state, and in so doing develop a framework that best tackles these conflicting views. The subsequent sections will then use this discussion and present my own evidence to understand the exact changes in state-business relations that have occurred since the 1970s. The primary focus of the chapter is on the 1990s and how the perceptions of TÜSIAD members about the state and their own strengths have evolved.

V.2. Theoretical framework and concepts

There is no doubt that the Turkish state has traditionally been a pro-capitalist state. It has tended to side more often than not with employers in labour disputes or legislation⁸⁶, and even some of my interviewees admitted that business has often benefited from the subsidies of the state and particularistic networks. As one staff member at TÜSIAD put it “the days when businessmen and state officials made secret deals and passed each other notes under the table” were far from over (2002).

⁸⁶ For a discussion of how post-1980 legislation has affected labour organizations negatively please see Sakallioğlu (1991).

To remember, in her study of the private sector Ayse Bugra (1995) illustrated that most of TÜSIAD's major members had been given their first big breaks by using their proximity to the state. This observation has led to divergent interpretations about the specific power and motivation of large business. It would seem, from one perspective, that large capital does not have any historical reasons to feel particularly excluded or threatened by government or state policy. Sönmez (1988) has used this assumption to illustrate that TÜSIAD has not only supported the military coup of 1980, but has also benefited from most of its policies. From a more state-business relations and economic efficiency perspective, Milor and Biddle (1997) have illustrated that unlike other associations, which represent smaller firms, TÜSIAD's main constituency does benefit from a privileged access to the state. Within this framework, TÜSIAD runs into a prisoner's dilemma type of situation where it faces serious commitment problems from its members when pushing for state reform, if it entails losing previous privileges.

From these perspectives business' structural power and proximity to the state preclude it from being a significant engine of change. These fit-in well with several views presented in the theoretical chapter. First, they rest on the assumption that business is strong enough to influence the state. Hence, business can affect regime outcomes, or in the least affect the quality of democracy. Second, they attribute a rent-seeking behaviour to large business that makes it near sighted.

However, the picture is not as simple. As demonstrated in the background chapters by the ample evidence provided by Bugra (Ibid.) and Keyder's (1990 and 1995) analyses, Turkish business is lacking autonomy from the state; a factor that affected its organization, behaviour and political strength.

To remember, Bugra demonstrated that the nature of state intervention affected the structure and ownership pattern of private organizations. This, she illustrates, also affected entrepreneurial behaviour. For one thing the significant importance of the state in the economy and the personal relations needed to affect it meant that only a number of individuals were able to venture in new sectors, explaining a seeming lack of entrepreneurial in society.

For existing entrepreneurs this meant that they always had an interest in preserving close ties to the state. Not only would they stand to lose resources if they ended their relationships to the state, but they also feared that unclear laws could potentially be applied against them arbitrarily. Several historical examples given by Bugra and others had been noted in previous passages. It is sufficient to remember the wealth tax, which was arbitrarily set and levied from capitalists in minority groups during WW2, and more recently the feeling that governments chose goods to exclude and include in import restriction lists for the purpose of punishing or rewarding specific businesspeople (Bugra, 1995; Keyder, 1995).

Therefore, the fact that business needs to maintain close ties to the state for its own survival imposed limits on entrepreneurship. For one thing it has hindered business' ability to trust professional managers. Maintaining close ties to the state, as was seen above, necessitated the concentration of that ownership and control under the same family. For another, it meant that much more time and energy was spent in maintaining these close ties rather than engaging in purely capitalist activities. Finally, the level of uncertainty created by an arbitrary state meant that these firms worked as shorter term financial institutions rather than concentrate on longer term planning (Bugra, Ibid.).

Politically, this meant that the private sector, through institutions such as TÜSIAD, tried to constantly justify its existence rather than press for its broader interests. The point that Bugra (Ibid.) makes is that the lack of entrepreneurial behaviour and a certain political caginess are observed, not because of the peculiarities of Turkish business or culture but because of the nature of the state. This is a direct challenge to studies that attribute a lack of entrepreneurship either to culture or the nature of late-development⁸⁷. It is really a tension between the dependence and access of business to an arbitrary state that forged the behaviour of this group.

To understand the seeming contradiction between the relative privilege of TÜSIAD members and their weakness, the character of the Turkish state must be remembered. It was shown in the historical background that the state embodied a dual nature. On the one hand, it isolates socio-political decisions from challenge and, on the other it uses economic policy to secure support (Waterbury, 1992; Heper, 1985). Therefore, while the private sector and other groups have been able to gain economic benefits, this has come at the price of coping with some level of uncertainty in pragmatic economic policy and the acceptance of the dominant ideology imposed by the state (Keyder, 1995; Bugra, 1995). The lack of a meaningful break between the state and TÜSIAD prior to the 1990s can therefore be attributed to business' political and ideological weakness combined with its need to stay close economically to the state.

This is why I had in the theoretical framework offered a conception of state autonomy developed by Hall (1986) and Mann (1988) as the most appropriate to understanding the case of TÜSIAD and Turkey. The two authors go beyond the relative ability of societal groups to influence the state and propose to look at several different

⁸⁷ See for example Rostow (1960) or Landes (1957).

levels at which the state and society interact and wield power. Combining this framework to the evidence provided on Turkey, it can be said that the Turkish state has been able to establish control over the ideological and political functions, while it has been penetrable in terms of economic policy. A similar observation has been made by Heper (1985) about the Turkish state by characterizing it as having a dual nature: the relative capacity to isolate some key areas policy while falling prey to the demands of society in others.

There is therefore a constant tension between business' ability to gain certain advantages and its relative political weakness. Given this tension, another useful approach has been developed by Silva (1996, 1997 and 1998) in his study of Chile. As noted in the theoretical discussions of this current thesis, the evidence he presents suggests that the perceived level of exclusion business feels from the state can under some circumstances become a mobilizing force against the latter.

In the next section I therefore trace how the different sources of power, the dual nature of the state and the level of exclusion/inclusion have played out throughout TÜSIAD's history to illustrate why the 1990s have presented a fundamental shift. In a second section, I propose to look at the factors that have affected state-business relations in this period and explain how this conception of the state can explain TÜSIAD's break from the state.

V.3. The case of TÜSIAD: 1971-1991

The fact that business' historical dependence has affected private sector organizations and the behaviour of entrepreneurs was also supported by my informants. For one thing, many enthusiastically recommended Ayse Bugra's book to understand the

nature of the Turkish private sector. For another, most touched on the previous economic dependence of business:

[In Turkey] the tradition is for the entrepreneur to be dependent on the state. Firms have developed and businessmen have become stronger under a closed economy. In this environment incentives and contracts from the state play major roles (Eczacibasi, 2001).

[...] up to the 1980s, under the import substitution industrialization period, under high custom walls and protection, TÜSIAD could not afford to oppose the state (Varlier, 2002).

TÜSIAD is not a monolithic group, and it never was. It has always been a platform where different views were put forth. But before the last decade, in an environment where most enterprises were doing business with the state, not to step on the state's toes, not to be in opposition to the state, to do what the state wanted [...] was a practice generally preferred by firms (Alaton, 2001).

The interviews, therefore, reveal that the central role played of the state explained business and TÜSIAD's reluctance to form a major source of opposition to its practices and policies in the 1970s. There is further evidence to suggest that this process tarnished business' legitimacy as a group:

During the [1970s] I also was a bureaucrat at DIE (*state statistics institute*). The image of businessmen was negative then. This is why they felt the need to found TÜSIAD then. It is the opposite now. There are people who want a smaller state. Things that were not talked about before are discussed now. The word "Kurd" is being pronounced now. Turkey is living the growing pains of these changes (Varlier, 2002).

A study was conducted in the 1950s, 1952 or 1953, by the Chamber of Industry. [The study] listed the most respectable elements in Turkey; [...] a question like 'what comes to your mind when you think of respectable?' [was asked]. The first one was the Turkish army, the second parliament, third universities, forth something like the bureaucracy [...] the eleventh was business at the lowest rank. During the 1950s the entrepreneur was seen as a robber who only thought of his profits, because industry was not that developed (Alaton, 2001).

However, according to both my informants and key studies, characterizing the pre-1990 period as such misses part of the picture. The fact that large capital owners founded an autonomous association such as TÜSIAD to represent solely their interests,

and the fact that they were able to oppose the Ecevit government in the late 1970s with a discourse of greater economic liberalization, political freedom in the liberal democratic tradition, and the need for EEC membership (TÜSIAD, 1979) is testament to the fact that there is more at play. The period encapsulates a tension faced by large capital and the members of TÜSIAD well. On the one hand, the association was founded during a period when the deeper phase of ISI gave state intervention a great source of legitimacy as the main engine of growth and made the business community highly dependent on it. On the other, a review of the literature suggests that TÜSIAD was founded when large capital started to develop long term goals and its demands deviated from that of other members of the private sector.

The quotes listed suggest that state intervention was a central feature of business life and my informant Feyyaz Berker, the chairman during the 1970s, even attributed pockets of opposition to TÜSIAD's own liberal thrust as emanating from this tradition (Berker, 2002). Nonetheless, this did not prevent TÜSIAD from aiming to give a voice to the owners of larger industrial establishments, which were under represented in semi-official organizations such as TOBB or ISO. These, according to my interviewees, were founded under the guidance of the state and as such too dependent to become critical:

TÜSIAD is an association. It has a 7000\$ membership fee [...] TOBB or ISO are places where everyone is officially a member, even small commerce. This is why TÜSIAD can look at the needs of medium and large enterprises and the issues more rationally. It has more flexibility because it is an NGO (Varlier, 2002).

Given the context described by Bugra (Ibid.), most of the energy of the association was channeled towards justifying and carving a role for the private sector in an environment where state intervention was viewed as essential and its boundaries never clearly defined. Indeed, interviews with members involved during the period and a closer

examination of TÜSIAD's activity reports reveal that the association was founded with a desire to change this climate. The openness to change of initial TÜSIAD members is described by Bülent Eczacıbasi, who is informed of TÜSIAD activities of the time due to his father being one of the founding members of TÜSIAD and the Eczacıbasi group he now runs:

If there had not been the support of the earlier generation none of this [TÜSIAD dealing with political and social issues] would have happened. [...] There have been very respectable members since the founding moment that have opposed this, but the core founding group has always been very open to new ideas (Eczacıbasi, 2001).

The fact that TÜSIAD has always been involved in broader issues is confirmed by other interviewees such as Yircali:

TÜSIAD has from the beginning been at the vanguard of such issues. It is not something specific to 1996. From its beginning TÜSIAD published reports, gathered leading experts in their fields and financed them to prepare these reports and presented them to the public. Some attract less attention, others more (Yircali, 2002).

Feyyaz Berker (2002) also emphasized, during our interview, that it was during the period when he was president in the 1970s that TÜSIAD started to raise issues of economic liberalization and, to some extent, democratization. Furthermore, while TÜSIAD's first mission statement accepts the virtues of a mixed economy, it still asserts that it recognizes the private sector as the main vehicle of development and progress (TÜSIAD, 1975).

Within this context, the fact that most of TÜSIAD's publications at the time were more economic in nature when compared to the subsequent period of the 1990s is not surprising. Indeed, of the fifty researches and books published by TÜSIAD from 1974 to

1979, thirty-five were dedicated to economic issues, compared to only twelve on social-political issues, while three contained elements of both⁸⁸.

Given the importance that the state played in the economy and TÜSIAD's aim to legitimize the private sector, issues relating to the state and polity often passed through debates about growth models. Consequently, despite a bias towards economic publication one can say that they were in line with the goal of forging a greater role for private capital, as reflected by some of TÜSIAD publications of the time, such as: *Business State Relations* (Bivens and Lambeth, 1974), *The Business Community and Education* (Finley, 1974), *Industrialization and Regional Balance* (Ertugrul Soysal, 1974), *Views and Suggestions on Measures to Prevent Waist* (TÜSIAD, 1978), *EEC-Turkey Relations* (1978). Even its more instrumental publications touched on issues dealing with the state such as, *The actualization and difficulties of investments obtaining support certificates*.

A more striking feature is found in the association's activity reports published during the period. TÜSIAD included comparisons in its annual activity reports that sought to demonstrate the private sector was more efficient than the state in such areas as job creation and productivity. In so doing, it clearly legitimized and justified the private sector's role as an engine of growth and questioned the efficiency of state intervention.

The emergence of TÜSIAD and its activities in the 1970s are, therefore, testament to the existence of a tension between large business' desire to carve a role for itself and an environment where particularistic ties granted privileges to business while making it

⁸⁸ This estimate is based on my own classification of TÜSIAD publications based on information found in its activity reports from 1975 to 1979 (TÜSIAD 1975; TÜSIAD 1976; TÜSIAD 1977; TÜSIAD 1978; TÜSIAD 1979). This figure does not include the standard economic reports published by TÜSIAD every year, as their publication have been constant over the years and as such do not add much information on changes in the relative weight of topics covered.

politically weaker. As such one of TÜSIAD's primary activities was to improve the image and ideological legitimacy of business before any significant change was possible.

These activities, however, culminated in TÜSIAD's strong support for the set of economic liberalization reforms that had led to a major shift in regime and economic polity. In doing so, TÜSIAD was, therefore, successful in overcoming its members' short-term concerns to take its first significant political action.

This period does confirm some of the findings of the existing literature on the role of the business elite in regime transition. Economic mismanagement, in the form of the debt crisis, combined with unclear boundaries of state intervention, had lead TÜSIAD to take stronger action for change. TÜSIAD's rise in the 1970s also confirms that the more recent emphasis on business organizations to explain the process is a highly legitimate area of research to get a full understanding of instances when business becomes a political force. Most importantly, it does support to the view that the lack of entrepreneurship and the aversion to change is not inherent to members of the business community but, like Bugra (Ibid.) demonstrates, is attributable to the impact that state intervention has on the private sector. Most of TÜSIAD's activities during the period and its willingness to press for change reveal that this can change, but requires a conscious effort to change the relative political weakness of business.

While the demands of TÜSIAD at the time were not as radical or political as in the 1990s, it can therefore be said that the nascent organization was trying to change the characteristic of state-business relations by giving large industry a political voice, and as such the period was a strong precursor to the 1990s.

The 1980s is going to see, in terms of reports and their span, a considerable reduction in TÜSIAD's activities. Interviewees who had witnessed, or were aware of all

three decades of TÜSIAD, have attributed this to the general support for the economic liberalization policies undertaken in the 1980s. Furthermore, as illustrated in the historical background, there is evidence to suggest that the military coup brought about legal restrictions on most civil society organizations (Ozbudun, 1991).

The few reports published and books translated reflected TÜSIAD's general support for existing policy and were really based on scholarly work on the virtues of liberalization and suggested ways to integrate the Turkish economy to international markets (TÜSIAD activity reports 1983 to 1990). What is interesting to note is that TÜSIAD as a vehicle for broad long-term interests, is going to go beyond the interests of individual members during a period when some in industries such as automobile were going to suffer from greater integration into the EEC. Consequently, we can say that despite the short term losses of some members, the fact that the broad direction that economic policy took satisfied TÜSIAD is an indication of the role business associations can play: serve as a collective voice for business despite individual member actions and interests.

What is more important to note about the period, however, is the fact that most of my informants attributed part of their demands for political change in the 1990s to their experiences with liberalism in the 1980s. This mechanism will more closely be examined in the next section on the factors that have affected the demands of the association in the period studied.

V.4. Changes in State-Business Relations in the 1990s and TÜSIAD's Demands

TÜSIAD's focus on social and political issues such as education and the publication of democratization report therefore represents a shift from the 1980s and a break from the state.

This period does stand in sharp contrast to the 1980s and it does differ from the 1970s that have been characterized as a precursor to this period. The difference between TÜSIAD activities in the 1970s and 1990s is that the former were solely directed towards legitimizing business and tackling issues of economic mismanagement, while the latter went further by pushing for increased democratization and voicing greater opposition to issues that are under the control of the dominant state ideology. As such, the position of TÜSIAD in the 1970s does fit well with the rest of the literature, which views economic mismanagement as one mobilizing factor behind business movements, particularly if one considers the growing nationalization of the economy.

The 1990s, on the other hand, is a period when the demands of TÜSIAD reach further than what the literature would predict. This change can be explained by several factors affecting state-business relations, in juxtaposition and often linked to the economic factors discussed in the previous chapter. In other words, economic liberalization and the development of capital play a significant role in affecting TÜSIAD's demands, however, these changes become significant, only when one considers how they have affected the position of its members have changed vis-à-vis the state in terms of the ideological legitimacy and autonomy they enjoy.

The most obvious impact of economic liberalization has been on the discourse my informants have adopted. While it was recognized that some benefited from state intervention, they all nonetheless had arguments against a state driven economy and

favoured a greater role for the private sector. TÜSIAD's growing distance is also apparent in the language of some of my informants. All informants, one way or another endorsed increased economic liberalization and less state involvement. Some went beyond to criticize the Turkish state and its policies on different levels:

TÜSIAD started to see the changes in the social structure of the country and saw its dangers. Ankara has remained backwards on this issue; it continued to see issues through its statist mentality. They are afraid that their power is going to be taken from their hands. This is why the [state] is not open to reform. TÜSIAD wanted democracy even if it went against its own interests. [...] TÜSIAD members are refined individuals with good education. They can understand the issues and say, "the emperor has no clothes (Varlier, 2002).

The Turkish government [...] has pushed us to disaster because the form of governance was always wrong, especially in the last ten years (Alaton, 2001).

Since [Özal's rule] Turkey has started to lose its position in the world in the 1990s. It had been one of the top 16 nations in the world. It had achieved the rank of tenth nation in terms of gross national product, its level of education had increased. But politics became more corrupt. There was torture, conflicts and killings within the sphere of politics. This is why we had come up with the report in 1996, to stop the corruption of politics in Turkey and describe how the Turkish people can live comfortably under the universal concept of democracy (Suhubi, 2002).

The situation and sense of legitimacy expressed when I conducted my interviews were much more different than the period characterized by the political weakness of the private sector. The demands for democracy can in part be explained by an intellectual maturation or process within TÜSIAD, where the association has been forced to think of the requirements of a well function liberal economy.

Eczacıbasi links the increasingly political and social nature of TÜSIAD's demands in part to an intellectual maturation within TÜSIAD (Eczacıbasi 2002). Indeed others such as Varlier also confirmed that whereas TÜSIAD was supporting economic liberalization in the 1980s; TÜSIAD realizes in the 1990s that a market economy needs to go hand in hand with certain political and social institutions:

Of course, the radical decisions of 1980 “comforted” capital; it worked to its advantage. But it then saw that this was not enough (Varlier, 2002)

There is therefore going to be an intensification of more social and political activities within TÜSIAD to address the broader needs of capital in a liberal economic system. Most of my interviewees have been able to draw a link between the performance of the economy and political institutions, and all have favoured some form of political liberalization or state reform. The intellectual capabilities and perceptions of TÜSIAD members are only part of the story however.

This intellectual questioning and criticisms of state intervention have taken place in a context where there is a parallel rise in the sense of legitimacy that my interviewees expressed. Indeed, some members stressed the fact that a growing sense of legitimacy among the private sector enabled TÜSIAD to tackle more sensitive issues previously under the ideological monopoly of the state, when asked where they found the courage to do so. Therefore one key change accompanying the transformation of the economic environment has been the growing sense of ideological power business has, to use Mann and Hall’s term. Some also emphasized the fact that the image of businessmen in public opinion had greatly increased. After stating the 1950s study that had found entrepreneurs to be the least respectable in a list of institutions, because they were “perceived as thieves”, Alaton went on to state in our interview:

The same study was conducted in 1997. The most respectable [institution] was still the army, the second was businessmen and industrialists, third universities and the eleventh politicians [...] This indicates an ideological revolution as a society. The somewhat shy attempts of the 1970s were the forerunners of this trend; the 1980-1990 period under Özal really underlined this (Alaton 2001).

As such, Alaton really describes how a period of economic liberalization and the activities of TÜSIAD in the 1970s contributed to greater legitimacy for business. This

legitimacy can be translated into political capital as outlined by several of my interviewees who were asked a question about whether business felt more legitimate:

I also was victim of this, being a businessman and earning money was a source of shame [in the 1970s]. To be successful and having foreign partners were especially bad, because we were considered the comprador bourgeoisie. This taboo has been lifted; it is not a source of shame anymore. There is still in society a lack of confidence in businessmen, but it is now an admissible thing, what businessmen have to say is taken seriously. The things that TÜSIAD says do get echoed. When I was a member of the governing board we even had done a study that revealed society was expecting TÜSIAD to find solutions to the country's problems. It has become that effective (Paker, 2001).

The biggest obstacle is for the mindset in Turkey to change. For example, we are going to meet [Prime minister] Ecevit, we had lunch with Tayyip Erdogan today. The point is that in the past it would have taken three months to get an appointment with Mr. Erdogan, now he gives one within one day. In the past the opposite side saw us as an adversary, now they have started to see us as a partner. When I say the opposite side I mean politicians today (Argüden, 2002).

Of course [the reports] have gotten negative reactions from time to time. Because they do target the people who govern us and is showing their shortcomings and what should be done. The people who were bothered by this have preferred to tell us to 'mind our own business'. But given what we have been talking about for the past half hour, given all the problems the period where everyone 'minded their own business' has passed. And it is a very healthy behaviour, there isn't such a thing as not dealing with things that do not concern us. If I pay taxes and I am a citizen, what I say should be taken into account (Yircali, 2002).

Clearly my interviewees see a change in the feeling of legitimacy that they and business have and feel that it is legitimate to deal with political issues. This is also reflected by the historical study conducted by Rifat Bali (2002) who illustrates that there has been a growing acceptance of capitalist activity and entrepreneurship in Turkey and, in parallel, a growing sense that specific members of the business community were "enlightened".

The cases studied by Bali include Cem Boyner and Ishak Alaton, both of which are politically active and key members of TÜSIAD. The tone of Bali's analysis is close to the notion of "hegemony" adopted from Gramsci by neo-Marxists, where bourgeois ideals get greater acceptance by the rest of society. In this case, this would definitely point towards a greater sense of legitimacy within business that Bali linearly links to a

greater acceptance of the market economy and capitalism after the liberalization of the 1980s, ideals he feels have been further promoted by the media. While Bali's analysis centres on discourse, this should not be seen as a purely cultural shift.

A political economic perspective can provide an even greater appreciation for the mechanisms at play, all of which relate to the relative autonomy of business. To remember, these changes have happened in a context of increased economic liberalization and the growth of firms linked to TÜSIAD. One interviewee, therefore, stressed the fact that society viewed TÜSIAD as being a legitimate political voice because visible industrial leaders were perceived as successful running their enterprises in contrast to the governments' poorer performances in running the economy. Consequently, the evolution of capital not only feeds the demands of TÜSIAD, as outlined in the previous chapter, but also helps increase the sense of legitimacy of the association and its members. The performance of business is not directly linked to the state anymore and can therefore be seen as a way to achieve economic autonomy and greater ideological power.

This is amplified by the simple fact that TÜSIAD members have become less dependent on the state economically and therefore can be more flexible politically, both due to liberalization policies and, as seen in the earlier chapters, the own evolution of TÜSIAD and its members:

Incentives and contracts are not as they were before, the dependence of business to the state has decreased. I am not saying that it has completely disappeared. It is not at the level of Western countries, old habits still persist. But it is not exactly the same as before [...]: today, entrepreneurs think 'what can they do if they get angry? Would they make stones rain on our heads (Eczacıbaşı, 2001)?

The decreasing dependence of business on the state is therefore a key factor in increasing ideological power. In the same vein, some have also directly linked this to

increased internationalization and the changing nature of members of the business community:

One may wonder why Turkey does not fail economically despite these policies and the economic environment. What holds Turkey on its feet is the fact that exports are still at 34 to 35 billion dollars and 10 to 12 billion comes from the trade balance. This is what solves all the problems. Let's return to the initial question: what happened to the businessman's mentality? People my age are slowly leaving. The young businessman is dynamic, he travels the world with his case and is willing to deal with the country's problems (Suhubi, 2002).

This is not only due to changes in the actions and practices of individual TÜSIAD members and the organizations they control, but is also affected by the member composition of TÜSIAD. As noted by the Secretary General Haluk Tükel, the young generation in TÜSIAD is much less dependent on the state (2002). As noted by an anonymous source inside TÜSIAD, members originating from newer more export oriented sectors are also less dependent on the state than older sectors (Anonymous-2, 2001). Consequently, there are factors at many different levels that contribute to the decreasing dependence of TÜSIAD members to the state, and as such their ability to become, as noted by Eczacıbasi (2001), more critical of the state and its policies.

This confirms previous comparative studies such as Bartell's (1995), which emphasizes that living under a liberal economic regime has increased business' self-confidence in cases such as Chile, when compared to the more timid stance of Brazilian business that still heavily relied on the state. In Turkey's context this shift is also juxtaposed by a sense of greater economic power. As was seen in the previous chapter, internationalization had created new opportunities for business, thus increasing its economic autonomy from the state. Furthermore, the size of organizations controlled by TÜSIAD members also increased adding to this sense of autonomy. For the purpose of

this chapter, concentrating on how this affects TÜSIAD member's perception of their relations to the state is significant.

The sense of ideological legitimacy is indeed reinforced by the perceived economic power of TÜSIAD members. My informants were well aware of the fact that economic liberalization has shifted the role of generating growth and wealth away from the state towards the private sector. Some like Erkut Yucaoglu (2001) and Haluk Tükel (2002) even echoed ideas such as “no taxation without representation” when asked about the source of power behind TÜSIAD's demands. Rona Yircali has expressed this more specifically during our interview:

If I pay taxes, if I am also a citizen, what I want should be done and I should be heard. It is of course public government, political authority is free to do what it wants, but I will go and tell my side to the bureaucracy and ministers. And I will explain why my position is right and why things should be done this way by publishing reports as an association [...] to become an autonomous source of pressure the way TÜSIAD is doing in a very healthy way (Yircali, 2002).

Indeed according to the interviewees that ventured an estimation, one third of business taxes come from organizations that are linked to TÜSIAD members. This claim is partly supported by DIE (State department of statistics) data that reveals that manufacturing groups employing more than 1000 employees, the pool from which the core and founding members of TÜSIAD are drawn, represented only 1,17% of all manufacturing groups in Turkey, but employed 21,35% of the manufacturing labour force and created 31,58% of value added in manufacturing. While not all these groups are linked to TÜSIAD members, and some are even state owned, this points to the structural importance of TÜSIAD members in generating employment, value added and taxes. Consequently, one can assert that this economic structural power can be translated into greater political and ideological confidence.

Consequently, members of TÜSIAD have learned to live under a liberal economy and have witnessed the juxtaposition of increased economic autonomy with a growing sense of legitimacy. The contribution they feel they make towards the economy and the state gives them a legitimate political voice, which is quite different from the 1970s where large business was trying to find a voice.

Changes that have occurred between the time span covered by Bugra's study of Turkish business and mine are also revealing for the discussions on the nature of entrepreneurship. My observations further support Bugra's point. The fact that TÜSIAD became more vocal and concerned with the broader needs of capital and that the general perceptions of my interviewees have are different from the period studied by Bugra illustrate how objective changes in the nature of state-business relations can also lead to a rise in entrepreneurship.

As was seen before, my interviewees were willing to compete, were willing to change the relationship they had to the state and embrace major political changes in the form of increased democratization and greater integration with the world. This indicates that what could be termed an entrepreneurial spirit was latent and indeed constrained by state-society arrangements.

The above observation raises another critique of the literature. States are not the only engine of change and business is not always near sighted. Under certain circumstances, business can become the agent that has a broader horizon. As such, being subject to international competition for several years, a certain level of maturity and the perception of new opportunities can boost business' confidence.

While the above observations support the claim that TÜSIAD and its members have gained enough power to press for meaningful change, they pose a new conundrum.

Most of the literature has used the growing legitimacy of capitalist enterprise and structural power of capital to demonstrate that business in late-developing countries has enjoyed an increasing ability to isolate key aspects of economic polity from subordinate groups (Silva, 1996; Huber and Stephens, 1998). This has more often than not created elite resistance to the deepening of democracy.

Furthermore, as noted before, authors have underlined the existence of a wide range of regime and state-business arrangements able to promote the economic elite's interest (Mann, 1988; Lindbolm, 1977; Rueschemeyer et.al., 1992). Turkish business was seen as historically being tied to an arbitrary state too, and this has been used by some of my interviewees to explain why some members have traditionally been reluctant to deal with political and social issues within TÜSIAD. Consequently, in addition to an intellectual process within TÜSIAD and the possibility of a more favourable intellectual climate for democratization, one must look into why and how the break from the state is materially appealing too. This analysis will show that an arbitrary state can in some cases work the other way to create a business class more open to political liberalization. It is, therefore, crucial to develop a framework that can explain such deviations.

V.5. TÜSIAD's economic power and state autonomy

TÜSIAD members do not live in a vacuum. As pointed by Erkut Yucaoglu during our interview TÜSIAD members do see an empirical link between the level of economic development and democracy (2001). TÜSIAD secretary general Haluk Tükel furthered this argument by stating that democracy and state reform would be better for capital

accumulation (2002). As mentioned above, this has gained greater acceptance throughout the 1980s during economic liberalization with limited political liberalization. Nonetheless, even if this were true on an intellectual level one could suspect on the part of the economic elite some level of resistance to political liberalization –as in every case there stands to be short term losers and winners.

This is demonstrated by the ideological split within TÜSIAD as implied during my interviewees and more explicitly pointed to by the press. However, these splits are not as apparent anymore and for the time being the so-called “liberal wing”’s agenda and efforts towards including broader political and social issues has gained much support within TÜSIAD. This increased support, as well as TÜSIAD’s initial demands for reforms, can best be explained by focusing on two factors not looked at yet: (1) the relatively limited level of inclusion within the state that TÜSIAD members feel they experience, and, (2) a lag between the evolution of the private sector and the practices of the state.

The practices of the Turkish private sector, including members of TÜSIAD, are still to some extent determined by earlier traditions of state intervention and ongoing forms of state-business relations:

When you look at the management of the most powerful firms within TÜSIAD you will still see individuals rooted in government and revenue, revenue is still a very important field of specialization in Turkey. [...] Despite recruiting people of different flavour to top management, the majority is still fiscal advisors and this indicates that they have a very Ankara and revenue style of management connected to Ankara. I think there are people with different vision, but I do not think that they have come to positions of power. [...] Change is not an easy thing. Turkey is very patriarchal; we have to look at the structure of society. I am not a sociologist, but when I look with an amateur eye I believe that many problems are rooted there. For example when you look at the second generation [of owners], a very important factor in Turkey, they have studied in very good schools. But you see that people who have studied in very important schools cannot do what they want in the firm’s various positions because of family pressure. I think that social pressure, the family, respect for the family, and lack of opposition is still very important. [...]. Professional managers are not able to be successful in this type of structure. [...] I have

witnessed a lot of times that professionals adapt to the system rather than bring change (Basaran-Symes, 2002).

This quote echoes Ayse Bugra's study of state-business relations in Turkey and indicates that state tradition in Turkey is still important in determining the form of leadership and practices in business organizations. As such, I can neither make the claim that powerful groups have entirely lost access to the state, nor that the private sector has changed radically. Nonetheless, one can point to these as trends and specify the tensions that they create for TÜSIAD members. The claim I make is that TÜSIAD's sense of legitimacy and needs, as discussed in the previous chapter, but the state is not as adaptable to them. This works to create a feeling of exclusion from the state within the business community. In other words, existing state-business arrangement can be considered inefficient from the standpoint of business.

Furthermore, one must distinguish between the micro-level practices of the business community and its broad political demands. Inclusion through individual particularistic ties may give economic benefits to business leaders, however it does not necessarily mean that they feel that large business is able to give direction to the broad political direction of the country.

Viewed in this light an analysis of TÜSIAD warrants the following distinctions and questions: (1) whether TÜSIAD and large business are able to give direction and are included within the political decision making process at a more macro level, (2) whether members of TÜSIAD are able to influence the state at a more particularistic individual level and (3) whether these relationships are viewed as beneficial under current economic conditions.

The demands of TÜSIAD and the reactions they get from various segments of society, in conjuncture with the fact that governments have been slow to act on issues such as EU membership that TÜSIAD views as crucial, indicates that in terms of determining the broad political direction of the country that the association has not as much power as depicted by structuralist arguments. This was pointed out by one member of TÜSIAD, Kaslowski, during our interview as being one of the central paradoxes of my own thesis: why a group that is so privileged would press for change (Kaslowski, 2002).

Indeed many informants have emphasized the extent to which the state was not responsive to their more political demands:

One of [the reactions from politicians] was: “I wish that this book [the democratization report] did not carry TÜSIAD’s stamp and that we had passed these as laws ourselves. Because the fact that it comes from you forces us to take the opposite position”. This was told to us by various heads of bureaucracies and parties during meetings we held in Ankara (Suhubi, 2002).

Of course [the reports] have gotten negative reactions from time to time. Because they do target the people who govern us and is showing their shortcomings and what should be done. The people who were bothered by this have preferred to tell us to ‘mind our own business’. But given what we have been talking about for the past half hour, given all the problems the period where everyone ‘minded their own business’ has passed. And it is a very healthy behaviour, there isn’t such a thing as not dealing with things that do not concern us. If I pay taxes and I am a citizen, what I say should be taken into account (Yircali, 2002).

What lies behind the resistance is the fact that politicians of the past 50 years have seen the businessman as someone is self-interested, who steals and who does not care about the problems of the country. Even if this is not true they have always seen us this way, and they still do (Yircali, 2002).

While it is beyond the scope of this thesis, a further source of isolation of the state from business is the fact that it has been very difficult for members of the economic elite to participate in active politics because of parties’ own system of patronage; this has been emphasized by one of my informants:

The next step [after action through business associations] will be the entry of many businesspeople in politics, but only when party laws and electoral laws are changed and the immunity of parliamentarians is lifted. This change will occur in the next ten years; so far they have gotten rid of [businesspeople] that have entered politics (Suhubi, 2002).

Asked about why the state seemed to be not as opened to the problems of capital as in other societies, most interviewees have stressed notions of the autonomy of the state. Within this framework some informants have emphasized the lack of a properly functioning social-economic council in Turkey, as a vehicle for the interest of business. While others mostly emphasized elements close to notions of state autonomy that echoed very closely the dual character of the Turkish state.

Kaslowski (2002) stressed the fact that every activity he did was recorded in the books, but that the state was more interested in entertaining relationships with the more informal sector where it could seek rents. In other words, he pointed to the fact that the level of autonomy the state enjoyed from industrial capital was its reliance on the more informal sector or illicit activities. This echoes the proposition made by Keyder (1995), that the Turkish state has traditionally enjoyed some level of autonomy from large capital due to its ability to forge clientelistic networks with the rest of society. Consequently, the ability of large industry to generate employment and taxes does not necessarily translate into political power:

45% of the Turkish economy is still made up of agriculture. There is also the commercial and craft classes. The government cannot overlook them. To stay in power they must adopt populist policies. This is why they can take decision that go against large firms. They do so through high cost agricultural subsidies. Tobacco and tea have been supported for years despite their unproductivity. Credits have been given to small manufacturers through banks. We prefer an income subsidy rather than this (Varlier, 2002).

Feudalism is nurtured by the state in the East. Through such things as tobacco and the [village] protectors. This is unfavourable to consumers and producers. Immigration to cities creates unrest. This is why TÜSIAD wants democracy (Orçun, 2001)

Another informant has also emphasized it was not easy for firms, large and small, to maintain ties to the state anymore:

For one thing, the number of businesspeople who can just grab the phone and communicate has decreased. Second, there are small and medium sized enterprises. These have spread all over Turkey and have various sizes. We should not only think of Arcelik [a major consumer durable goods' producer linked to Koç Holding] the real power and momentum is with smaller firms. These are numerous but not powerful. [...] Even the larger firms prefer to act through TÜSIAD instead of alone because it has become more difficult to do so alone and have the other side listen to you (Yircali 2002).

My interviewees therefore emphasized the fact that Turkish state enjoys some level of autonomy from the economic elite due to its reliance on other classes and the more informal sector for rent. What makes this factor meaningful is the fact that with expansion and the development of foreign ties TÜSIAD members feel compelled to become more formal. Furthermore increased reliance on technology and competition based on capital forces a longer term perspective that cannot be accommodated with ad hoc and informal policies. As such, one can witness a growing distance between the state's need to build informal ties from the more and more formal and recorded activities of TÜSIAD members that need a longer term perspective:

In 1996 when TÜSIAD came out with the perspectives on democracy report, many people said, "why is it doing this". If five or ten people benefit from corruption and nepotism, five hundred do not. And it is not a stable thing, it changes when the government changes. Good firms have been able to function well without staying reliant on this type of relationship. Our contracting group is also close to the state, but we want transparency. Because what is here today is not there tomorrow. This is why we think about and want democratization (Varlier, 2002)

Interviewees further complained about how it is not necessarily the lack of access to officials that is at the root of the problem, but the general inefficiency of the state:

People in government are not that bad, but the implementation is very bad. [...] It is very easy to meet with a top level minister. They would even give me an appointment. But when it comes to the lower echelons there is no good governance. And TÜSIAD member's enterprises are in a daily interaction with the state and believe that a public sector reform is necessary. There is still the distribution of rent in Turkey, and most people who enter politics see this as an investment and means of subsistence for their families and themselves. When this changes TÜSIAD member enterprises are going to benefit because they will function in a better managed economy (Argüden, 2002).

As seen above, one can predict that members of the business community have informal access to the state on many levels. But these are seen as inefficient and far from the period studied by Bugra (1995) where particularistic ties still dictated how business organizations would evolve. The above discussion therefore confirms that exclusion from certain areas of policy is a motivating force behind the politicization of business, as proposed by Silva. This also confirms the dual nature of the Turkish state, it does not feel compelled to include groups in the decision making process of some key areas and can also exclude a structurally powerful group due to its use of economic policy in gaining alternative sources of support. Interestingly enough, the nature of the Turkish state does not constrain the behaviour of large business anymore because of the environment it finds itself since the 1990s and the increased sense of legitimacy it has brought about.

V.6. Concluding remarks

The above discussion reveals that economic liberalization and the evolution of TÜSIAD members has done more to create new needs. By shifting the role of entrepreneurship away from the state to the private sector, changes in the economic and political environment have lead members of TÜSIAD to go through a period of

intellectual reflection and increased legitimacy that now permit them to think of the broader interests of capital and oppose the state.

This is combined with the greater economic autonomy and power of TÜSIAD members who now feel that they can become less dependent on the state. Within this context the dependence of the economic elite on informal access to the state has decreased. However, the dual nature of the Turkish state means that large capital cannot transform this structural power and desire for change to an ability to affect a state that has developed a tradition of reproducing its rule based on informal relations. As such, my informants often felt that the state was not responsive to their needs and demands.

Based on this discussion, the factors proposed in the previous chapter should be modified slightly to incorporate both this new notion of power and also the ability of states to include or exclude business. The diagram proposed before should therefore be modified as follows:

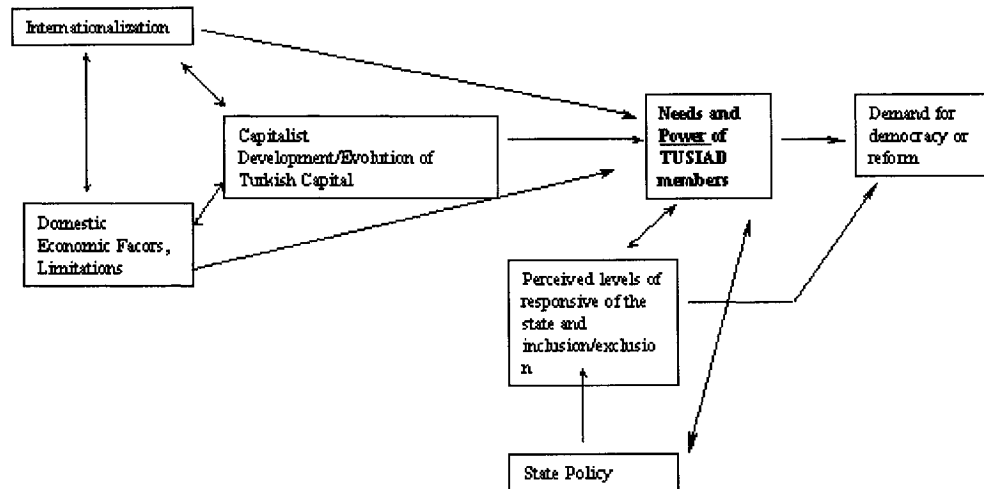


Figure 6.1: Bringing the state back in: The Turkish state and TUSIAD's demands

Accordingly, not only do changes in economic environment make democratization and state reform more favourable. The relative power and confidence of business also changed during the period, making a break from the state and greater militancy possible. Furthermore, the level of responsive of the state to these changing needs and growing power does determine the extent of political action undertaken by business. In the case of Turkey, it was the perceived irresponsiveness of the state and exclusion of business that constituted a further impetus behind TUSIAD's demands.

By bringing these levels into the picture,, the analysis and case of TUSIAD contribute to the literature on several different levels. First, by demonstrating that changes in the economic environment and importance of the private sector can affect

business' level of confidence, even in cases of late-industrialization, the study shows that the lack of entrepreneurship attributed to this group is not inherent. In other words, there is some of level of latent entrepreneurship, so to speak, that can emerge when certain obstacles like the importance of the state for this sector diminishes over time. In proving this, the current analysis reinforces Gerschenkron's (1966) and Bugra's (1995) take that entrepreneurship is not really determined by cultural factors but determined more so by historical developments. It also reinforces Bartell's (1995) study of Chile that demonstrates that business can grow more confident after operating several years in a market driven economic system.

For the broader question of the link between capitalist development and democracy, this implies that business should not always be treated as a group whose historical weakness and aversion to change make it dependent on the state. This situation can change over time.

The analysis also demonstrates that there is more to business' relation to the state than its instrumental needs by illustrating that the ideology of business was also the product of a certain thought process, or maturation, and growing feeling of legitimacy. Consequently, looking at the structural power of the economic elite is not enough to understand its political position, the interplay between its economic and politico-ideological functions must also be taken into account. This is also important because, as illustrated by the case of the Turkish state, large business is not necessarily and always included in all areas of the decision making process. As such, when business is excluded and feels confident enough this can lead to a break from the state.

This emphasis on the political and ideological stance of business brings about the next chapter. A new scholarly tradition (Silva, 1996; Payne and Bartell, 1995; Durand

and Silva, 1998) has concentrated on the role that business organizations can play in overcoming obstacles to mobilization to understand how business can adopt a more political function. The following chapter will therefore seek to understand whether there have been factors endogenous to TÜSIAD as an association that can explain part of its success.

CHAPTER 6: COMPARATIVE CASES: ARGENTINA, BRAZIL, CHILE AND MEXICO

VI.1. Overview

The two previous chapters demonstrated that: (1) the evolution of TÜSIAD members' needs had made increased democracy more appealing, but that this was not a sufficient condition to understand the level of radicalization of the association unless (2) the state's insulation from the needs and demands of the economic elite was taken into account. To test whether the two, economic needs and state tradition, must necessarily go hand in hand to understand shifts in the political attitude of business, I will compare the case of Turkey and TÜSIAD to that of four other country cases.

This exercise will further help determine whether primacy should be given to one factor over the other or whether there has to be a combination of both, like in Turkey, to lead to a break between the state and business. The four cases I have chosen present several advantages and are Argentina, Brazil, Chile and Mexico. The first advantage they present from a comparative standpoint is that they have witnessed the (re)democratization of their institutions in the 1980s. As such, while they all had relatively free and fair elections around the time of the study, they all still had areas that needed improvement for full democracy to be achieved. The second advantage these cases have is that they can be classified, like Turkey, as late-industrialized countries.

In order to achieve the comparison, I have collected information on the most prominent business associations in all four cases. The chapter therefore starts by

presenting how the information has been collected. It then turns to a brief comparison of some broad economic changes that have affected all the cases, to in turn review associations and their relation of business to the state in each case. Finally, the chapter concludes by discussing the findings of my dissertation about Turkey and TÜSIAD in a more comparative perspective.

VI.2. Data, case selection and methodology

The selection of the four specific country cases was motivated both by their inherent characteristics, but unfortunately also by time and resource limitations. Unlike the case of TÜSIAD in Turkey, this complimentary part of the research had to rely mostly on secondary data. I therefore had to choose cases on which an extensive literature existed on the following three elements: state-business relations, the attitude of classes towards democracy and the political role of business associations. While a wide range of case studies exist on a combination of these elements, not all cases have been scrutinized on all three levels. This is mainly due to the fact that most of the literature on business associations deals more with the question of efficiency and rent-seeking practices rather than the existence, or lack, of broader political demands among them.

Of the available cases, however, I found that Argentina, Brazil, Chile and Mexico presented a particular advantage. All four have similar levels of industrialization and can, like Turkey, be considered industrial nations despite shortcomings in areas such as income distribution and GDP per capita. Consequently, structural factors that are

expected to affect Turkish capital are also more or less present in these four cases. Furthermore, all five cases have undergone periods of state led industrialization under import substitution policies. While the timing and specific policy choices may present slight variations, such as Chile abandoning them sooner, state intervention was prevalent enough to increase the dependence of business to the state for the most part of the 20th century. Another fundamental similarity, related to this last point, is the fact that all five cases, again barring questions of specific timing, have been committed to carrying out and deepening economic liberalization over the period studied. The similarities in politico-economic factors are therefore accompanied by periods of political liberalization that have affected all five cases.

Except for Mexico that had never witnessed a prominent role of the military in politics, all cases have witnessed the transition to democracy from military rule throughout the 1980s. All in all, even if we include Mexico, it can be safely said that the 1980s and 1990s was a period of (re)democratization of these cases' political systems. As such, they all share similar timing in the conjuncture of the redefinition of their state-society relations with economic change. One would therefore expect the business elite to share similar concerns in all five cases as they present also redefinition of state-business relations.

The initial methodological shortfall is hence overcome by the breadth of knowledge that exists about these cases and similarities in their broad politico-economic characteristics. This also presents an advantage for the study. Instead of seeking cases that present similarities to TÜSIAD's agenda I have selected cases that represent similarities to the case of Turkey. In doing so, I have avoided the risk of wrongfully attributing the outcome "broad political demands of business" to the changes discussed

above, and am able to actually get at the finer differences between these cases and how they contribute or hinder business' political activity. In other words, for every case similar to TÜSIAD my data could have yielded a different outcome, despite similar politico-economic factors. Here I will be able to show whether these broad similarities are in fact sufficient explanations or whether the elements described in great detail about TÜSIAD actually matter.

After selecting the cases I have set out to select and study key business associations in each. This entailed primary research on the type of associations, on their structure, broad member characteristics, their official status within the state and the nature of their political and economic demands. The research was based on the associations' own resources and documentation accessed via their official internet websites. In so doing, I was able to outline the associations' own official stance. All in all four associations for the case of Brazil and five associations each for the cases of Argentina, Chile and Mexico have been included in this study. However, this was limited to a given point in time, specifically 2002-2003. As such, it did help give a general idea of where they were situated vis-à-vis state policies and political issues, but to get a fuller picture of whether this had been always the case I completed the analysis by relying on other scholarly work.

The analysis of secondary studies was therefore also central in mapping the degree to which the state had been responsive to business in each of these four cases. Using the above, as well as statistical measures of the countries' economic performances, I consequently was able to tease out the following information: (1) the structure and role of associations, (2) the level of representation within the state, (3) the economic needs of the business community and (4) the nature and extent of these associations' economic and

political demands. This gives me enough information to compare them to TÜSIAD on all the factors outlined in chapters 4 and 5 to determine which, between economic needs and inclusion within the state, were conducive to a more supportive stance towards democratization and broader political activity in general.

VI.3. General comparison of the associations' demands.

Before moving to a more in dept analysis of the differences between the cases, it is worthwhile to compare the demands of business associations and their past and present regime loyalties. It should be emphasized that the literature generally accepts that capital has become more pro-democratic in all five cases studied. More specifically, none are against the democratic rule of the game and as such none are seen as potential supporters of authoritarian reversals. Consequently, while there are no litmus tests, besides time, to determine whether business will in the future actively contribute to the collapse of recent democracies it can safely be said that it seems, in all five cases, to have accepted democracy as a form of governance. The question, and difference between cases, in this chapter therefore becomes how actively have associations supported the expansion of democracy and how much are they willing to oppose the political elite on controversial issues. The following table 6.1 briefly lists the main business associations, the type of representation businesspeople achieve through them, as well as the previous and current political actions and discourses of these associations. The table is then followed by a brief description of business's demands in Chile, Argentina, Brazil and Mexico respectively.

Table 6.1 Main business organizations and their activities				
Country	Main business organizations	Previous Political Stance	Current Political Activities (1990-2002)	Type of interest representation
Argentina	UIA, CGE, FAA, SRA, CAC	-Contributed to the collapse of the military regime.	-Mostly instrumentalist demands and activities.	-Autonomous business organizations with periods of corporatism
Brazil	CNI, FIESP, PNBE, IEDI	-Contributed to the collapse of the military regime.	-Limited attempts at organizing to influence constitutional and democratization debates.	-Corporatist system through the CNI with attempts to build autonomous business organizations or use local federations on the part of large capital
Chile	SOFOFA, SONAMI, CPC, CNC, SNA	-Supported military regimes against left leaning governments -Forced the Pinochet regime to partially liberalize the political system	-Mostly instrumentalist demands and activities.	-Autonomous associations with a growingly corporatist structure with one peak association
Mexico	CCE, CONCAMIN, CANACITRA, COPARMEX, ABM	-Mixture of support and opposition to the single party rule of the PRI	-Some instrumentalist demands -Individual support for the PAN -Discourse of democratization in the case of COPARMEX	-Semi-formal corporatist structure through the CCE
Turkey	TÜSIAD, MUSIAD, TOBB, ISO, TISK	-General support for regimes. -TÜSIAD precipitated the fall of the Ecevit government and the military coup.	-Marked demands for democracy and state reform in the case of TÜSIAD. -Some discourse of democratization in the case of TOBB and MUSIAD	-Semi-formal corporatist structure through TOBB. -Emphasis on autonomous associations such as TÜSIAD and MUSIAD

Chile

Chile's main business associations have been active politically in the past, not only by leading to the collapse of the Popular Front in the 1930s and the left-wing Allende government in 1973, but also by forcing the Pinochet government to partly liberalize the political system in order to include business in the decision making process. However, during the period under study, the activities of Chilean business associations were mainly instrumentalist. The associations emphasized and actively participated in areas such as labour relations, training and education. As such, Bartell (1995) characterizes them as being closest, in Latin America, to the corporatist associations of Western Europe in their focus on labour relations more than any other topic. However, none have actively participated in further democratization efforts.

Argentina

A similar pattern to that of Chile can be found in the Argentinean case. The various segments of Argentine business have in the past supported the rise of authoritarianism and regime changes, mainly due to inter and intra-class conflicts and a state that was supporting the interests of competing groups, both among capital and labour. In other words historically segments of Argentine capital have engaged in hyper-politicized conflicts with other segments of this class as well as the rest of society. Within this framework, business followed a similar pattern and withdrew its support from the military junta that seemed too insulated and arbitrary, leading to the transition to democracy. However, in the period under study, the demands of Argentine business are

similar to Chile's and focus mainly on labour relations. The determinants of the shift from heightened political activity to more instrumentalist goals will be interesting to review for the case of both Argentina and Chile further below.

Brazil

The Brazilian case is more ambiguous. As will be seen later, business's political activities were crippled by regional differences and the corporatist structure imposed by the state as early as the 1930s, both of which worked to distort the demands of business as a unified force. Several activities are worth noting however. As illustrated by Cardoso (1986) business in Brazil, like its two Southern Cone counterparts, contributed to the collapse of the authoritarian regime, when several key entrepreneurs actively lobbied against the uncertainty created by its arbitrariness. The literature further reveals that during the period of democratic transition business tried to actively participate in the constitutional process through existing associations like the CNI and FIESP or by building new ones such as IEDI. However, these political activities have remained isolated events and business associations have generally tended to focus mostly on instrumentalist issues such as labour relations. What determines these short outbursts and their failure to crystallize into a more sustained movement, despite the desire on the part of a segment of Brazilian business, will offer an interesting comparison to TÜSIAD, which in this light can constitute a success story.

Mexico

Mexican business comes closest to Turkey in terms of its more current activities, at least for the case of some associations and business leaders. Traditionally, Mexican business has demonstrated a mixture of opposition to and cooptation by the state. More specifically, the *Consejo Coordinador Empresarial* (CCE) has been accepted by the state as the main interlocutor of business and the PRI has used the association and its particularistic ties to secure the support of business. For this reason, business has tended to be in favour, or in the least tolerant, of government policy. However, the CCE has also undergone periods of opposition to Mexican governments and their fiscal policies. This has led commentators, who compare the Mexican case to Brazil, to assert that Mexican business has been more politically active than in the Brazilian case (Schneider, 1998). In terms of increased democratization and break from the state, however, it is in more recent years that Mexico has witnessed the rise of business associations like COPARMEX that voice overt support for increased democracy and a business class that supported the PAN, and its democratization agenda, against the PRI. As such, Mexico presents both elements of associations that have narrow instrumentalist demands and business leaders or associations that have broader political concerns.

VI.4. Comparison of the evolution of manufacturing and foreign trade

It is now worth briefly examining whether increased internationalization and the development of manufacturing can necessarily be connected to the type of demands TÜSIAD had made, as illustrated in Chapter 5. Table 6.2 on the level of foreign trade indicates, as would be expected, that Chile has integrated in the international economy much sooner than all other four countries under Pinochet's export led growth strategy of

the 1970s, which represented a shift away from import substitution earlier than most late-industrializing countries. This shift in Chile's development paradigm can partly explain why business associations were active in trying to lobby the state and forced the Pinochet regime to liberalize politics, to the extent that it permitted participation to industrial leaders. Among the four other countries only Mexico and Turkey have witnessed a soar in their international trade. As can be seen from the table Turkey's exports have risen from an average of 4,69% of GDP in the 1970s to 19% in the 1990s, while Mexico's have moved from 10% to 25,3%. In terms of imports Chilean, Mexican and Turkish businesses have also faced increasing competition with the share of imports out of GDP jumping from 19% to 29,44%, 10% to 24,3% and 8,5% to 22,8% respectively. Argentina and Brazil's trade activities, on the other hand, have remained relatively low when compared to the three other cases and the data for middle-income countries in general.

Table 6.2 Foreign trade indicators

Country Name	Average export as a percentage of GDP			Average imports as a percentage of GDP		
	1970s	1980s	1990s	1970s	1980s	1990s
Argentina	7,31	8,82	8,98	6,15	6,39	9,71
Brazil	7,26	10,07	8,79	9,37	7,67	9,22
Chile	18,45	26,48	29,63	19,51	25,96	29,44
Mexico	8,76	16,40	23,64	10,04	13,00	25,33
Turkey	4,69	13,30	19,01	8,55	16,42	22,83
High income: OECD	14,95	17,26	18,53	15,31	17,89	18,28
Middle income	12,89	17,12	24,46	13,64	16,86	24,74

Source: <http://devdata.worldbank.org/dataonline/>, last accessed on October 10, 2005

As such, the above data does show that business in Turkey and Mexico have felt the impact of NAFTA and the EU, have faced more opportunities and constraints than their Brazilian and Argentine counterparts, and have had the potential to become more

autonomous from the state due to the gains made by foreign trade. As outlined by Chapter 4, it is therefore normal to expect this type of pressure and opportunity to shift business' relation to the state more than in Argentina and Brazil where the change has not been as radical. However, two phenomena are left unexplained by looking at foreign trade alone. First, Chilean business, which has undergone a more extreme shift according to the trade data alone, has neither been as much in conflict with the state nor has it addressed the deficiencies of Chilean democracy as much as TÜSIAD and some segments of Mexican business. Conversely, Brazilian business, which has not undergone such a dramatic change, has nonetheless periodically been more vocal than its Chilean counterpart. Second, Mexican business, which has undergone similar changes to Turkey, has not been as vocal as TÜSIAD.

Part of the answer can be found in the development of manufacturing in each case. Table 6.3 illustrates the development of manufacturing in all five cases by looking at the share of manufacturing in exports, the share of manufacturing in value added and the share of high-technology production in exports. In terms of share of manufacturing in value added, all five countries' industry was performing at similar levels in the 1990s. Turkey is different than the other cases in the sense that the performance of its industry increased from 13,5% in the 1970s to 18,4% in the 1990s. All other cases have witnessed a contraction in the share of value added produced by their industries. However, all five cases had manufacturing sectors that produced around 20% of value added in the 1990s. The more significant change can be found in the export activities of all five cases' manufacturing sectors. While of the five cases Chile was a champion of exportation, its manufacturing sector represents a small share of this performance at 7 to 8% in the 1970s and 1980s and 15% in the 1990s. This partly explains the relative conservatism of

Chilean business when compared to other cases. Chile's exports are based on traditional extracting and mining industries that are likely to be more conservative than industry, which can be more open to a high productivity-high wage production complex.

The two cases with real outward oriented manufacturing sectors are, again, Turkey and Mexico who do benefit from the EU and NAFTA, causing the share of manufacturing to soar to an average of 72% from 19,5% and 32% respectively. As was the case for international trade, this is predicted to lead to the creation of a manufacturing sector that faces a set of constraints and opportunities that can make it more favourable to reform. Of the remaining two cases, Brazil and Argentina, the Brazilian case is interesting in that the share of manufacturing in exports has risen more than in Argentina and Chile to reach 54,7% in the 1990s. If the above observation were correct, one would expect Brazilian industry to face similar pressures as Mexico and Turkey. This therefore indicates that there are more at play than the evolution of the needs of industry in explaining the relative activism of TÜSIAD compared to its Mexican and Brazilian counterparts.

Table 6.3 Development of manufacturing

Country Name	Share of manufacturing as a percentage of exports			Share of manufacturing as a percentage of value added			Share of high-tech exports
	1970s	1980s	1990s	1970s	1980s	1990s	1990s
Argentina	21,93	24,68	31,33	35,28	29,35	20,73	5,61
Brazil	23,53	44,29	54,73	30,00	32,72	22,05 ⁸⁹	6,74
Chile	7,20	8,21	14,94	24,17	19,87	18,27	3,08
Mexico	32,15	27,99	72,46	22,74	23,07	20,54	14,14
Turkey	19,47	52,29	72,84	13,44	18,30	18,36	1,82
High income: OECD	73,27	74,37	79,44	NA	22,39 ⁹⁰	20,48	20,42
Middle income	NA	16,88	60,25	26,40	26,59	23,89	14,00

Source: <http://devdata.worldbank.org/dataonline/>, last accessed on October 10, 2005

⁸⁹ 1990 missing

⁹⁰ The average is based on the only available years 1987, 1988 and 1989.

One possible explanation, still centred on the needs of industry, can be found in the share of high-technology products, as illustrated in table 6.3, and the level of foreign direct investment in gross capital formation, as outlined in table 6.4. Of these three cases -Brazil, Mexico and Turkey- Turkey's exports of high technology products has remained relatively low at 1,8% when compared to Brazil and Mexico's 6,7 and 14,1% respectively. In terms of foreign direct investment too, Turkey has fared much worse than all four other cases at barely close to 2% of capital formation.

Table 6.4 Foreign direct investment as a percentage of gross capital formation

COUNTRY	1970s	1980s	1990s
Argentina	1,01	3,44	14,45
Brazil	4,94	3,27	7,61
Chile	-0,69	10,33	20,71
Mexico	3,53	5,27	9,74
Turkey	1,12	0,96	1,91
High income: OECD	2,04	2,81	5,71
Middle income	1,99	2,34	8,35

Source: <http://devdata.worldbank.org/dataonline/>, last accessed on October 10, 2005

Chapter 4 had outlined that TÜSIAD members were slowly moving into more capital intensive sectors and this largely through the establishment of foreign partnerships. My informants had noted, however, that the Turkish state was not doing enough to provide a stable environment for this to occur. Consequently, looking at this data it can be asserted that TÜSIAD members, more than in the four other cases, face new pressures to adapt without the benefit of a state that is able to accommodate their new needs. The inability of Turkey to attract FDI is in part evidence that the state is not providing a business environment that TÜSIAD needs. As such, I turn my attention to

examining more closely business-state relations in the four other cases to see if there any difference to the case of TÜSIAD. In doing so, I can not only determine whether the state has been more receptive in other cases, but also outline in greater detail some of the differences between Brazil, Mexico and Turkey, which are close to each other in terms of the evolution of economic needs.

VI.5. The evolution and nature of business-state relations

VI.5.1. Chile; from conflict to corporatism

Chile is perhaps the most atypical of all my cases. It had undergone neo-liberal economic reforms under the Pinochet regime long before any country in the 1970s. Of the five countries studied, it was also the last to liberalize its political system, when it held free elections in 1989. Nonetheless, the number and depth of case studies on its state-business relations help outline enough variations across time in the stance of Chilean capital to make it a revealing case. Furthermore, Silva (1998; 217-218) characterises the peak organization of Chilean business as coming closest to the stable and institutionalized model of neo-corporatism in Western Europe than any other case in Latin America. This presents interesting variations on the private sector's propensity for political activity, as will be seen below.

In most of his writings on the topic Silva (1995, 1996, 1998) reveals that the Pinochet regimes handling of liberal economic reforms and the economic crisis (1981-

1983) helps explain much of capital's attitude towards political reform, economic policy and the unified front it represents under peak associations. His work, along others' (Acuna, 1998; Barrett, 2001), also reveals that the level of inclusion into the decision making process helps explain the stance of business a great deal.

Up until the period under review, like Argentina, Chile's private sector and its associations were not only mobilized against threats emanating from the state and labour, but also against competing demands from other sectors. The private sector was therefore represented by four main peak associations formed as early as the 1880s: the *Sociedad Nacional de Agricultura* (SNA), *Camara Nacional de Comercio* (CNC, previously the *Camara Central de Comercio*), *Sociedad Nacional de Minería* (SONAMI) and *Sociedad de Fomento Fabril* (SFF or SOFOFA). These articulated different interests, however, and therefore presented a unified front only when the economic crisis of the 1930s, the rise of strong labour movements, and state lead policies of development presented a threat to capital as a whole (Acuna, 1998). In 1935 business formed the peak association *Confederacion de la Produccion y Comercio*, an umbrella organization, to form a unified front against labour movements and the left leaning Popular Front in the elections. They not only feared that ISI policies would represent an expansion of the state into areas previously controlled by the private sector, but also were wary of the rise of socialist ideologies. However, according to Silva (1998) the Popular Front did not present as much a threat as business feared:

The Popular Front was not the nemesis businessmen and landowners had feared. Business elites were given many seats on the boards of major state institutions [...]. Business elites also enjoyed a close relationship with the centrist Radical Party, which dominated the Popular Front, and ministers were drawn from the business elites (Silva, 1998, p. 220).

This episode in Chilean history, up until President Eduardo Frei's Christian Democratic government (1964-1970) demonstrates that perceived threats from below and the state can therefore be buffered by the existence of a state that consults with business. Within this period the intensity in the activities and the stake business had in the umbrella CPC declined because of the representation it got within the state. The activities of the SNA, CNC, SONAMI and SFF, however, picked up because they were all competing for conflicting policy goals. This threatened the existence of the CPC that managed to survive, according to Silva (1998; p. 220), not so much because of existing common interests but because of organizational elements, which ensured power sharing and the symbolic function it got within the state as the representative of the private sector⁹¹.

This period of cooperation between the state and business came to an end with the Frei government, which nationalized the copper industry, sought to organize the poor, and tackled the problem of income distribution. Because it feared growing nationalization and an uncertain position, the CPC, like TÛSIAD had in the 1970s, organized to put forth a discourse that emphasized entrepreneurship and targeted problems such as arbitrary decision making, the size and role of state enterprise and the rigidity of labour laws (Silva 1998, p. 221). This heightened activity according to Silva was pivotal in veering the Government's policy to the right. However, when it was shut out of the decision making process under the socialist government of Allende (1970-1973), business again through the CPC and all its associations⁹² formally and informally called for the withdrawal of the regime and plotted against it (Silva, 1998). When it toppled the Allende regime in 1973,

⁹¹ According to Silva (1998, p. 221) "The CPC represented business in a wide range of public events, as well as before the president of Chile, foreign dignitaries, and at prestigious events such as the signing of international treaties."

⁹² With the exception of SONAMI.

Pinochet therefore did so with the broad support of the capitalist class. This confirms most views that the capitalist class will engage in broad political action, and often through support for authoritarian regimes, when its interests are threatened by left leaning policies of nationalization and support for labour movements. When combined to the analysis of the previous period, however, it also demonstrates that the loss of representation within the state was also one major impetus.

However, according to Silva, the Pinochet regime (1973-1988) did not do much to preserve the support it had gained from the business elite. Most of the liberalization policies were implemented by the executive and technocrats, the so-called “Chicago boys”, with little consultation with various societal groups. This was partly ideological, to the extent that insulation was seen as necessary to carry out reform, and partly due to the authoritarian nature of the regime that concentrated power in the hands of Pinochet. This, according to Silva, created an uncertain environment for industrial investment. On the one hand industry saw most of the protection it enjoyed lifted, and on the other insulation of the regime created uncertainty and a lack of trust about its policies. At the same time, however, while insulating itself from the traditional industrial elite, the Pinochet regime created new particularistic ties with emerging financial capital. Some benefited from informal ties they had to the regime and “Chicago boys” to get insider information about policies and gain rents by speculating in financial markets.

The Pinochet’s regime lack of focus on industrial policy, with its creation of new sources of rent further reinforced the level of uncertainty witnessed by the industrial elite. Consequently, despite its initial support for the regime, and its overall pro-capitalist and labour repressive stance, most of the capitalist class did not trust it enough to increase investment. This point is interesting from a development and political economy

standpoint in that it supports arguments about the necessity of state-business linkages to stimulate investment. For the purpose of this study, the resulting stance of the old industrial elite is more interesting. It organized to press for increased representation within the state. The centralization of the regime led business to organize around its peak associations, such as the CPC that could represent its interest within the executive, and press for political liberalization. The lack of investment and strong stance of business eventually confined the Pinochet regime to grant business representation within the state. Hence it can be noted that the competition business was facing, the lack of adequate industrial policy and lack of representation prompted the political organization of business. This does confirm that the claim that the access business gets to the state is an important variable.

However, the newfound representation of business worked both ways, according to Silva (1997), during the democratization period that followed. On the one hand, the ability of the democratic opposition to appease the concerns of the economic elite by maintaining formal representation diffused this group's potential opposition to regime change and leftwing governments. On the other hand, it is also noted that the representation business received enabled it to entrench liberal economic reforms and oppose any radical shift in economic polity. Barrett (2001) illustrates that business benefited from its access to the decision making process to restrict the extent of social reform and the privileges of labour, thus adopting a more conservative stance than previous periods. Table 6.5 on the opposite page outlines more specifically the nature – number of members, sectors represented and the date the associations were founded- and the demands of associations in Chile. As confirmed by the discussion, the table illustrates that while Chilean business had been active in mobilizing against governments that posed

a threat to their interests, the inclusion into the decision making process it has received in recent years has been accompanied by a shift towards more instrumental demands and activities.

Table 6.5: The Position of Chilean Business Associations							
Name	Date	Members	Sectors	Activities and ideology as of 2001		Previous stance	Inclusion within the state
				Political	Economic		
CPC	1935	Represents 6 branches of business: SNA, CNC, SOFOFA, SONAMI, CChC and ARIE	All sectors	-Promotes state reform to tackle corruption.	- free trade	-Led to the collapse of the Allende government. -Forced the Pinochet regime to liberalize access to the state.	Yes
CNC	1858	-24 commerce chambers -36 specialized associations -18 bi-national commerce chambres -35 businesses	Services	-Education (members and labour force) -Good labour relations -Tackling the underground economy	-Arbitration between members. -Support of free-trade. -Expressing opinions about areas affecting member profitability	See above	With the CPC
SONAMI	1883	48 firms and organizations	Mining	-Education -Good labour relations		See above, except did not participate actively to the collapse of Allende	With the CPC
SOFOFA	1883	-2500 companies -33 sectoral organizations -8 regional	Industry	-Education -Affordable housing -Health care	-Support of the free-market	See above	With the CPC
SNA	1838	80 firms and organizations	Agriculture	-Social peace (voices concern about the rise of armed groups in the country side) -Good governance	-labour market flexibility and wages.	See above	With the CPC

The case of Chile therefore demonstrates that inadequate economic policy coupled with lack of representation within the state prompts the organization of business. The centralization of decision-making focuses most of this mobilization on peak associations that press for political change. The historical review of the Chilean case demonstrates that this has most of the time been defensive mobilization against arbitrary state action, and has made Chilean business politically united and powerful despite sectoral differences. However, the access that business had to the decision making process is expected to limit breadth of its demands, as the state will be perceived to be receptive to its needs. In later periods the representation that business enjoys makes it a conservative voice, but this can also be served to appease worries it may have about the extension of democratic rights.

VI.5.2. Brazil; multiple levels of inclusion to the state and obstacles to collective action

Brazil in some ways presents similarities to TÜSIAD, but some key differences are also enlightening to understand the conditions behind the increased political role of business. The history of Brazilian business' political role is characterized by periods of both heightened activism, where business has tried to affect the political process, and relative shyness where associations were able to become only reactionary forces due to collective action problems. Business has periodically pressed for political change through traditional corporatist associations, such as the Federation of Industry of the State of Sao Paulo (*Federação das Industrias do Estado de São Paulo- FIESP*) and *Confederacao Nacional da Industria* (CNI), but these have tended to revert back to their parochial and

narrow sectoral interests quite rapidly because of collective action problems. In other instances, some prominent business leaders, as well as smaller entrepreneurs, have attempted to build more autonomous groups such as the IEDI and the *Pensamento Nacional das Bases Empresarias* (PNBE) respectively to solve these problems and increase the prominence of business in the country's debates. However, these two have lost steam because of a lack of commitment from their members.

The above situation is mainly explained by the fragmentation of Brazilian business and the nature of state intervention, which make collective action difficult, and is only worsened by the corporatist structure of interest representation (Payne, 1995; Schneider, 1997-1998; Weyland, 1998; Kingstone, 1998). Weyland stresses that the political fragmentation of interest can be traced to the fact that the authoritarian regime of Vargas (1930-1945) chose to structure the state and interest representation along corporatist lines that "organized the private sector along the lines of its main segments (Weyland, 1998, p 77)." The CNI, *Confederacao Nacional de Commercio* (CNC), and *Confederacao Nacional da Agricultura* (CNA) were thus the official representatives of the capitalist sector without any peak association to connect their interests.

Within this framework, members of Brazilian business belong to mandatory sectoral associations within regions that in turn are members of state based business federations represented by the above confederations; the most notable federation being the FIESP (Kingstone, p. 78, 1998). According to Weyland (ibid.), this structure was historically maintained and no meaningful peak associations emerged due to splits within and between associations, which were reinforced by regional and sectoral differences and the lack of any meaningful threat from labour that could have worked as a unifying force. Many who comment on the 1990s agree that associations such as the CNI, and the

corporatist structure they have inherited, make them very poor vehicles of capitalist interest. For example, the CNI organized a march for constitutional reform in 1996, but the effort was short lived and not followed by any significant political action or success, despite the fact that the CNI had a budget of 42 million US dollars in the 1990s and a permanent staff of five hundred (Schneider, 1997-1998, pp. 95-101)⁹³.

The corporatist structure has directly affected the stake that business has in the CNI, pretty much like TOBB in Turkey, because of its one vote per state federation practice. The twenty seven federations represented by the CNI have equal representation and, consequently:

“[The] Federation of Industry of Piani, a tiny rural state, had the same vote as FIESP, the Federation of Industry of the State of Sao Paulo. One result of this corporatist misrepresentation was that two of the last three presidents of the CNI came from the North East, which makes little sense in a country in which Sao Paulo accounts for more than half of total industrial output and the Centre-South for more than two thirds (Schneider, Ibid, p. 101).”

Furthermore Kingstone (1998) notes that this system overstates the importance of smaller and technologically backwards firms when compared to large industry, which is part of the same organizations.

Consequently, according to Schneider (1997-1998, p. 102), the FIESP and not the CNI has “emerged as the de facto national mouthpiece of industry.” However, this system of interest representation further enhances the problem for several, and quite similar reasons. First, the FIESP suffers from the same interest representation problem as the CNI; small firms carry as much weight as large industry from the Sao Paulo region.

⁹³ According to Schneider (1997-1998, p. 101), the inability of Brazilian associations to become a significant political voice leads the CNI to use these resources more towards the training of workers rather than lobbying.

Second, Brazilian business' emphasis on regional associations leads it to focus on very narrow interests rather than the broader demands of capital.

As mentioned above, this led individual entrepreneurs, which scholars qualify as having a more "modern" outlook, to try and form more autonomous movements pretty similar to TÛSIAD in order to participate in broader political debates (Kingstone, 1998; Schneider 1997-1998, p. 107). These movements are usually triggered by a reaction to the state's development policy, or the lack thereof, and the conservative or parochial stance taken by existing corporatist associations. The first such movement has been business' contribution to the collapse of the authoritarian regime. As reviewed by Cardoso (1986), several prominent industrialists withdrew their support from the authoritarian regime due to the uncertainty created by state policy and their lack of access to the decision making process during military rule. This does confirm my finding that exclusion from the state is an important trigger in the mobilization of business, and is in line with the study of other authoritarian regimes such as Silva's (1996) on Chile. Brazilian business, however, has not been able to maintain this mobilization and translate it into further participation during the country's constitutional debates and transition to neo-liberal policies under democratic rule.

During this period some business leaders did grow frustrated with the CNI's and FIESP's political ineffectiveness and have founded two associations in the late 1980s, IEDI and the PNBE, to participate in these political debates. IEDI was formed by thirty prominent members of industry, who were either owners or CEOs of some of the largest corporations, as a response to the fiscal crisis and out of a desire to propose long term development strategies. These were, like the influential members of TÛSIAD, more enlightened leaders from the business community. They were, according to Kingstone

(1998, p. 79), from FIESP's cadre and think tank as well as being part of the original signatories of the 1978 manifesto. As such, they did have a broader and, often, more progressist and democratic outlook than their counterparts. Like TÜSIAD, their small numbers were intended to overcome collective action problems and they did publish reports intended to build coalitions around developmental goals for Brazil (Ibid., pp. 80-81).

Contrary to IEDI the PNBE was formed by entrepreneurs from small to medium sized establishments and had 300 members by 1993. These were younger and described themselves as more progressist than existing business leaders. The association was intended to be more cross-sectoral and regional than existing ones, and, according to Schneider (1997-1998, p. 106), more favourable to unions, redistribution and geared towards issues such as citizenship and business ethics. Accordingly, the PNBE and its members participated in such political activities as a march to impeach president Collor.

However, according to both Kingstone and Schneider, these two associations have not had the expected political success, and in the case of IEDI had even lost its effectiveness and member cohesion by 1993. The first reason can be traced, as seen above, to Brazil's corporatist structure that forces business to organize defensively. The most important factor, however, is the nature of the Brazilian state and its form of intervention. The Brazilian state does grant access to business leaders on an individual level, but is highly fragmented thus greatly increasing the opportunity cost of collective action. More specifically, entrepreneurs are highly represented in party politics, have been offered key ministries in elected governments, and, do get favours by using their personal ties to officials from government or various agencies (Schneider, 1997-1998). However, several factors prevent them from turning this into an effective business

participation in national politics⁹⁴. The fragmentation of the political system due to regionalism decreases the accountability of central authority that, like in Turkey, enables officials to insulate themselves from the interests of prominent groups in society. This can account for business' periodic attempts at action through established associations like the CNI or FIESP or its desire to find novel strategies to affect polity like IEDI or the PNBE, which are pretty similar associations to TÛSIAD in their interest representation. Nevertheless, the parallel to Turkey ends here. While Brazilian business is excluded from central politics, its individual leaders are highly influential and have a stake in influencing the decentralized bureaucracy individually.

The framework developed by Evans (1996) sheds some light on the reasons by outlining how the Brazilian state works. The Brazilian state, according to Evans, is not insulated enough from society and hence falls prey to rent-seeking by bureaucrats and various groups in society, whilst still having some development oriented officials. Consequently, rather than challenge the privileges of existing vested interests, Brazilian officials prefer to create agencies specifically geared to carrying the new developmental goals. The result is the coexistence of highly efficient agencies with ones that are more predatory in nature. This affects business in two ways. First, there is a lack of coherence between agencies; a policy developed by one can be offset by the decisions of another. Business must therefore lobby these various agencies individually to make sure that its investment decisions taken under certain policies will not be hurt by the actions of specific agencies and officials. Second, the Brazilian state becomes highly decentralized to the point that regional or specific agencies have a vast jurisdiction and control vast

⁹⁴ For example, Schneider (1997-1998, p. 105) notes that business leaders were highly represented in the Sarney government (1985-1987), but none pushed for a pro-business agenda in constitutional debates.

amounts of resources (Schneider, 1991; Kingstone, 1998, p. 76). Within this framework, business does not have an incentive to affect state as this will not trickle down to specific policy areas⁹⁵. They therefore gain much more by lobbying specific institutions alone rather than through collective action.

Indeed, Payne (1995) notes that few businesspeople agreed with the demands of the FIESP and CNI on such matters as labour policy, and preferred to act on their own in their labour relations and dealings with the state. Kingstone (1998) illustrates how IEDI, which was structured to overcome collective action problems in the first place, failed because its members invested more time in acting alone. And finally, Schneider (1997-1998) outlines how Brazilian business is weak collectively but strong individually. These findings are supported by survey results reported by Schneider, which reveal that the Brazilian economic elite views business associations as the 12th most powerful institution out of 14 compared to individual corporations ranked 8th (Ibid., p. 104).

The situation of Brazilian business associations is summarized in the table below. The table confirms that formal representation has negatively affected the ability of the CNI and FIESP to formulate broader demands. The two associations, IEDI and PNBE, that were intended to combat the problems associated with corporatist representation have been able to formulate more radical changes by adopting a structure closer to TÜSIAD. However, as seen above, commentators have noted that the same corporatist structure and the access that Brazilian business has to officials has also partly hurt these associations.

⁹⁵ Weyland's (1996) study of the success of social reform in *Democracy without Equity* is a good example of how this is possible. He notes that the central government is able to undertake broad sweeping reforms but that local authorities, which often are governed by autonomous bureaucrats or opposition parties, do not adopt these.

Table 6.6 The Position of Brazilian business associations							
Name	Date	Members	Sectors	Activities and ideology as of 2001		Previous stance	Inclusion within the state
				Political	Economic		
CNI	1938	27 regional federations	Industry	Short lived protest in 1996 to affect the constitutional process	-Balanced regional growth -Promote competitiveness -respect for free trade -labour relations-- services to members	Prominent members of both the CNI and FIESP withdrew support from the authoritarian	Yes
FIESP	1931	127 industrial associations from Sao Paolo	Industry		-Promote competitiveness -services to members	See CNI above	Yes
IEDI	1989	46 individual members	Mostly large industry	Formulate and lobby the state for long-term development strategy for Brazilian industry	See political demands		No
PNBE	1987	300 individual members	Small/medium industry	-Promote democracy and combat corruption	-improve income distribution and market economy		No

In conclusion, it can be said that periodic uncertainty associated with state policy and the insulation of the central state leads to short-lived mobilization, confirming some of the findings about TÜSIAD. However, the difference between Turkey and Brazil is that the literature views individual business leaders as being included at a more decentralized and local level in Brazil, which decreases the incentive to press for reform and creates collective action problems.

VI.5.3. Mexico; between inclusion and opposition

The case of Mexico is interesting because of its corporatist structure and the state's use of clientelistic networks to achieve elite cohesion. This, as will be shown, has had varying effects on the private sector, but all in all large capital has not been as consistently active politically as TÜSIAD has. This can be traced to how the *Partido Revolucionario Institucional* (PRI) incorporated interests following the Mexican revolution. Middlebrooke (1995) notes that the Mexican revolution occurred during a period of low industrialization. Therefore, like the transition to the republic in Turkey as outlined in chapter 3, class politics or costly formal institutions had yet to emerge because of a lack of unified class interest and revenues that industrialization would have created. Yet the revolution had led to mass mobilization despite the absence of political and economic modernization. Like the young Turkish republic, the revolutionary elite compensated for this by building particularistic channels of inclusion.

This was mainly achieved through corporatist and populist channels that fit the post-revolutionary environment quite well. By establishing the state controlled PRI and

its branches, the political elite was able to ensure both elite cohesion and the cooptation of popular groups through the combination of selective rewards and a revolutionary discourse. As such, the system remained highly stable because of elite power sharing and a lack of a unified popular front. Heredia observes that within such an arrangement interest was aggregated vertically rather than horizontally, and, that power sharing within the executive ensured elite loyalty to the PRI (Heredia, 1994, pp. 268-269).

From the perspective of business this led to the emergence of a mixed relation to the state, that is at times characterized by political action against the state and at times by a reluctance to break from it. The revolutionary ideology that the PRI used prevented it from incorporating officially private interest into the party, like it had for labour, the peasantry and the “popular” middle classes through branches (Tirado, 1998, p. 184). Furthermore, like in Turkey, the revolutionary and developmental discourse of the PRI decreased the legitimacy of private business as a legitimate force in society. However, the clientelistic networks shared by the elite enabled the state to distribute rewards to industrial capital.

In addition, the state was able to implement policies favourable to business by checking popular mobilization and avoiding distributional conflicts and pressure on wages. The economic elite close to the executive was also able to gain rewards and consult with state officials about policy through informal channels (Heredia, p. 275). Hence, the development project from 1940 to 1970 enabled some important sectors to emerge by relying on “a complex web of patronage and business connections among entrepreneurs, public servants, and politicians (Tirado, 1998).” As for small and medium size business, vertical channels of integration led to their fragmentation along sectoral and regional lines (Heredia, 1994, p. 275). Mexico can therefore be characterized by the

selective inclusion of business that hinders its capacity for collective action. But unlike Brazil, the fact that inclusion occurred at a central level does make periodic opposition to the state a viable political option.

This ambiguous relationship to the state can best be studied by looking at the history of the *Consejo Coordinador Empresarial* (CCE), as studied by Tirado (1998). The CCE was founded in 1975, according to Tirado, as an encompassing peak association that included six main business associations to form a unified front against state action and popular threats. It was, therefore, a defensive move motivated by political turmoil and uncertainty about the role of private enterprise under President Luis Echeverria's developmental goal that promoted a bigger role for the state. Collective action, like in 1970s Turkey or 1980s Brazil was prompted by uncertainty about the role of private enterprise.

However, this period was followed the CCE's shift towards the state. The CCE's official inclusion into the decision making process as the interlocutor of business under the Portillo administration (1976-1982) lead to a decline in the associations political activism. This brief cooperation, however, was followed by a period of extreme politicization characterized by the CCE pressing for state reform and democratization. According to Tirado, this was prompted by Portillo's expropriation of banks as a response to the financial crisis and led by the more radical wing of the CCE, COPARMEX and CONCAMIN (194).

However, the CCE did not stay politicized much as it went back to working with the state at the end of the 1982-1986 period. This, according to Tirado, was mainly due to the de la Madrid government's implementation of neo-liberal reforms in line with business's demands and the more important fact that business' increased political

activities were translated to the participation into party politics of its influential leaders, through the PAN and PRI. These shifting positions demonstrate several things. First, they reinforce the notion that threats are an important unifier for business. But most importantly, they demonstrate one organizational and one political difference between the case of CCE and TÜSIAD, and, Mexico and Turkey. According, to Tirado the participation of individual business members into politics as a result of heightened political activity really demonstrated the diverse member base of the CCE. Furthermore, the receptiveness of the Mexican state to business demands, its ability to distribute rent to its most influential members and segment the others, stand in contrast to Turkey. Moreover, leaders from the CCE and other major associations saw party politics as a viable option, which is not the case in Turkey. The interests in TÜSIAD are less diverse, and business less included in Turkey.

More recently Mizrahi (1994) has illustrated that some business leaders from the North did go against the PRI by either supporting or being direct candidates in the, then, opposition *Partido Accion Nacional* (PAN). Two things are striking about this phenomenon. First, overt PAN supporters were usually from the Northern states and involved in export activities towards the US. Second, and most importantly, they lacked the traditional access that business leaders from Mexico-City had to the PRI. The latter, according to Mizrahi, supported the PAN through secret donations and/or were more easily influenced by the PRI's overtures to the private sector. This does further reflect the mixture of opposition and inclusion that business has towards the Mexican state. This is well summarized in the table on the opposite page, which shows that, indeed, Mexican business has in the past and still does today press for some change.

Table 6.7 The position of Mexican associations							
Name	Date	Members	Sectors	Activities and ideology as of 2001		Previous stance	Inclusion within the state
				Political	Economic		
CCE	1976	7 councils and associations	Diverse	"[The CCE] has always fought for a market economy with social responsibility and the progressive democratization of the Mexican system"	-Condemns administrative corruption and market regulation	Periodic conflict with the PRI over the boundaries of the	Yes
COPARMEX	1929	36 000	"[Believes] in the value of citizen involvement as an underpinning of democracy"	"Market economy with social responsibility for a just and sustained development"	-Promote competitiveness -services to members	More marked opposition to the state within the CCE	Through the CCE
CONCAMIN	1918	67 Chambers 47 Associations Representing approximately 250 000 companies	Industry		"[CONCAMIN] offers guidelines that favour efficiency, competitiveness, and economic profit in the national production chains"	More marked opposition to the state within the CCE	Through the CCE

As such, the mixture of formal exclusion with informal inclusion through a channel like the PRI has created a range of responses that Mexican capital has used towards the state. The strength of informal channels and the fact that rent was often distributed to the elite through party politics has encouraged individual economic and political action, but its formal exclusion has sometimes pushed business to organize politically behind organizations such as the CCE.

VI.5.4. Argentina; from intra class conflict to inclusion

Argentina is perhaps the case that best fits the scenario in which defensive reaction against all levels of threat has determined both the political stance of capital and its level of mobilization. The political instability of Argentina and the reactionary stance that capital has often adopted is traced to both inter and intra class conflict, and the stance that the state has taken within this context. Acuña (1998) notes that much of the political action undertaken by business associations has been determined by the stance of similar organizations from other sectors. Indeed, O'Donnell traces the political instability of the country to the fact that Argentina's agricultural exports are also domestic consumption goods, and that its agriculture is not as labour intensive as in other cases. This created throughout the 20th century a tension between its more rural export sector and more urban industrial sector over the price of consumption goods. Domestic industry sought policies that limited the price of these goods to curb nominal wages, while the landed oligarchy sought to increase export revenues by keeping prices high. Argentine capital had conflicting goals and was therefore never a structurally unified force.

On another front, however, the early industrialization of Argentina, and the often radical ideology of its immigrant working class lead capital as a whole to perceive a real threat emanating from popular classes (Waisman, 1987). This under some periods gave Argentine capital the incentive to mobilize violently against labour movements. However, when combined with intra class polarization this lead to great political instability and regime changes characterized as a “pendulum” by some. Argentine regimes sought to assert their rule and topple previous ones by gaining enough support from competing groups in society. At times regimes formed alliances with the industrial sector and the rural poor, at others with the urban working classes and rural landed oligarchy.

This had long-term pervasive effects in terms of capital’s regime loyalties and mobilization. The class and sector based regime changes lead to a winner takes all approach to the political game and was not, as was the case in Mexico, conducive to elite cohesion (Acuna, 1998). Furthermore, various segments of the business class were willing to support regime changes to ensure inclusion within the state. The impetus behind business associations was, therefore, mainly defensive and the goal of these organizations was not only to protect the interest of its members against labour, but also against competing business interests.

The relation of these associations to the state consequently varied through time and from sector to sector. For example, when Peron took power in 1946, he banned the representative of large industry, the UIA, to create the CGE, which organized small and medium enterprises along Peronism’s corporatist line. Conversely, the CGE was banned after Peron and was reinstated only after the transition to democracy in 1982. As such,

the access gained by some and the losses incurred by others led Argentine capital to support regime change, and this often through violent means.

This problem was exasperated by the fact that the economic elite did not trust party politics. According to Gibson (1996), this stemmed from the above splits and the radicalization of the popular classes that curbed potential popular support for the rise of a right wing party. In other words, pro-business right wing parties have historically not been able to gain enough support. The defence of business interest was, therefore, perceived as being tied to authoritarian regimes that supported industrialization and curbed the radicalization of labour. This, according to O'Donnell (1978), was particularly the case during the rise of the bureaucratic authoritarian regime that emerged at a higher stage of Argentine development to check real wages in order to import much needed capital goods by freeing up exported goods and resources.

Nonetheless, the regime was characterized by uncertainty and human right violations that affected Argentina's respectability and business environment. At this stage, moderate supporters of the regime, including business, withdrew their supports and pressed for the liberalization of the political system (O'Donnell and Schmitter, 1986). As was the situation in the other cases reviewed, the arbitrary nature of the state was therefore a factor that was considered by the elite when pushing for political liberalization.

According to McGuire (1997) and Acuna (1998), the position of business has changed after the transition to democracy. This was mainly due to the Radical party and new Peronist governments' willingness to implement radical economic reforms, commitment to private property and desire to consult with business. McGuire (Ibid.) demonstrates that Menem and the Peronists, as well as the Radicals before them, were

willing to include business in the decision making process through consultation. Like Chile, this ensured, on the one hand, the economic elite's loyalty to the democratic game and support for such policies as tax and labour reform, but on the other hand it limited the extent to which associations' demands have been political. Consequently, the case of Argentina, in addition to supporting previous studies that see inter and intra class struggle as important, illustrates that the level of exclusion does determine the extent of business' demands.

The table below further illustrates that Argentine business has moved away from a more politicized role in the past, to a more formal role after the 1980s and after governments abler to consult with business.

Table 6.8: The position of Argentine business association							
Name	Date	Members	Sectors	Activities and ideology as of 2001		Previous stance	Inclusion within the state
				Political	Economic		
UIA	1867	-89 Associated chambers, associations and industrial unions. -80 Associated companies	Industry	-Corruption and state reform -Combating poverty	-Against labour market regulations such as a high minimum wage and employment security	Overthrew democratically elected governments in 1930. -Opposed Peronism	Varies
SRA	1866	Confederation with membership based on: individuals, firms and business associations	Agriculture	NA	NA	Mobilized against democratically elected governments	NA
CAC	1924	More than 250 organized as individuals, firms and associations	Industry and services	NA	-Promote the general interests of commerce, industry and services in Argentina based on free market principles.		Yes
FAA	1912	Employer's union representing small and medium scale producers	Agriculture	-Social justice with a discourse of democratization. -Corruption -Education	-Opposed to economic liberalization		NA
CGE	1952	24 chambers	Diverse	For the institutionalization of socio-economic councils	-Balanced development of city-zones -protects real sector versus the financial sector	-Founded by Peron	Varies

Hence, inclusion into the decision making process, even informal does help appease a segment, which has historically been hyper-politicized.

VI.5.5. Turkey and TÜSIAD in comparative perspective

Several key points about TÜSIAD and Turkish business associations are worth emphasizing in light of the current comparative data. It was revealed in chapters 2 and 5 that the Turkish state had a preference towards social and cultural policy, as a means of incorporation, and that significant industrialization or capital accumulation had not taken place before the transition from the Ottoman Empire to the Republic (Keyder, 1989). This has meant that class interest was not significantly incorporated through formal channels (Yavuz, 1994) and that the state used economic policy in a pragmatic manner more so than towards developmental goals or the interest of a specific class (Bugra, 1995). This, according to Keyder (Ibid.) created a situation in which there has been a constant imbalance between the short-term economic practices of the Turkish state and industry's, particularly large capital's, longer-term needs.

Chapters 2 and 3 therefore revealed that existing associations, such as TOBB and ISO were established through measures taken by the Turkish state in the 1950s to incorporate economic interest and remedy the situation. Bugra (1995), Arat (1991) and Bianchi (1983) had noted, however, that these were not good vehicles of capitalist interest because the state continued its arbitrary practices in the areas of economic policy and because the interests represented through these associations were too diverse. As such, these semi-official organizations neither dared distance themselves from the state and

government nor could they voice a common goal. TÜSIAD and later on MÜSIAD, representing smaller Muslim entrepreneurs, were therefore established to become autonomous voices of business.

Of all these associations, as confirmed by the table on the next page, TÜSIAD has been the one who has pressed for the most radical demands in the 1990s, although Onis and Turem (2001) notes that TOBB and MÜSIAD have made some modest attempts.

Table 6.9: The position of Turkish business associations							
Name	Date	Members	Sectors	Activities and ideology as of 2001		Previous stance	Inclusion within the state
				Political	Economic		
TÜSIAD	1971	500 individual members	Mixed, mostly industry	-Pro-democratization -Tackles sensitive issues such as the Kurdish issue	-Free trade -Market economy	Forced the resignation of the Ecevit government	No
MÜSIAD	1990	450 firms	Mixed, mostly industry	-Collective rights in line with Islam	-Free trade	NA	No
TOBB	1950	364 chambers and commodity exchanges	Mixed	-Some attempt at tackling corruption -South East report	-Instrumental services to its members to facilitate commerce -Free trade	Usually supportive of governments	Some
TISK	1952	21 unions	Mixed	NA	-Labour relations	Benefited from the anti-labour stance of the military junta	Some
ISO	1952	11 000 firms (98% small and medium)	Industry	NA	-promote industry and provide services to its members	NA	Some

The comparison of TÜSIAD to associations in the four other country cases and associations within Turkey therefore reveals several interesting observations. First, and solely from a narrow organizational aspect, TÜSIAD has the advantage of smaller membership and more cohesive interests, when compared to TOBB and ISO in Turkey and such associations as the CNI in Brazil or the CCE in Mexico. Hence, TÜSIAD does not face the collective action problems created by larger membership and can solve potential ones, as was seen in the previous chapter, through member participation in commissions organized around a wide range of issues.

Second, within Turkey alone, capital represented in TÜSIAD is more outward oriented than the members of TOBB or MÜSIAD (Onis and Turem, 2002). This does confirm the view that the opportunities and challenges posed by greater integration does not affect all segments of the business community equally and that TÜSIAD's response has been to embrace and push for the change more actively. This difference also illustrates that, while the EU is an important factor in the formulation of TÜSIAD's stance, that it is not the only determinant of its position. Third, TÜSIAD is not constrained by the semi-formal role granted to TOBB or ISO, and as such can act as an autonomous voice for business.

However, the comparative data further suggests that there are elements quite unique to TÜSIAD. First, cases like Brazil, Chile and Mexico suggest that being outward oriented alone is not enough to create pressures for political change. Second, IEDI in Brazil, which was intended like TÜSIAD to focus on the longer-term goals of larger capital and solve collective action problems by keeping membership as narrow and small, had neither the same success in formulating broader demands nor did it touch on as radical political issues than its Turkish counterpart. Both of these observations suggest

that the case of TÜSIAD is unique to the extent that it is representative of the most outward oriented industrial sector but does not enjoy the same form of access to the state than associations in other countries. As such, while associations in Chile and Mexico have moved towards a more corporatist representation of business, TÜSIAD has started to break from the state. The concluding discussion below expresses the interplay between economic factors and the role of the state in more general terms.

VI.6. Discussion

The above presentation demonstrated that, with the exception of Argentina, all five cases had undergone expansions in their foreign trade. However, the export activities of manufacturing sectors in Turkey, Brazil and Mexico increased considerably more rapidly than in Chile and Argentina. Nonetheless, these three cases presented differences in the propensity of their business associations to pursue political goals actively. Furthermore, similarities between associations in Chile and Argentina exist despite large differences in their trade activities.

The following table 7.5 therefore tries to make sense of these findings:

Table 6.10 Summary of the findings					
Country	Export Expansion	Export expansion driven by manufacturing	Degree of inclusion within the state	Level of representation	Sustained radical demands for reform or democracy
Argentina	Low	No	High	Central	No
Pre-1983 Chile	High	No	Low	Central	Yes
Chile	High	No	High	Central	No
Brazil	Medium	Yes	High	Decentralized	Failed attempts at organizing
Mexico	High	Yes	Medium	Central	Periodic attempts on the part of traditional business. More sustained attempts by excluded groups
Turkey	High	Yes	Medium to low	Central	Yes

The table illustrates that the export expansion of manufacturing in Brazil, Mexico and Turkey presented an impetus to mobilize in all three cases due to the constraints and opportunities it creates. Nonetheless, not all business associations in these three cases have been as successful as TÜSIAD. Brazil, where business has been inefficient in affecting central politics has presented an incentive to mobilize. However, the fact that it is able to gain access to the state at a more local and agency level has presented, as was seen in the discussion, serious opportunity costs for members of associations attempting to press for reform; to the point of undermining even novel attempts at organizing. In Mexico, where some segments of the business community have enjoyed access to the

state and have viewed party politics as a viable alternative, the activities of associations and entrepreneurs have been more varied. In some cases their demands have remained very instrumental, while in others they have adopted a discourse of democratization similar to TÜSIAD or have supported the PAN against the PRI's single party rule.

Chile presents an interesting case in the sense that its main export sector has been extraction rather than manufacturing. Nonetheless, during Pinochet's initial years in power business did feel excluded and did mobilize against the regime. However, inclusion at the central level, in the form of a receptive executive, has led associations to push for more instrumental demands. Argentina, under the Radical and Peronist parties in the post-1982 democratic period reinforces the evidence offered by the Chilean case. Access to the governing elite and their willingness to adopt pro-business policies has helped ease inter and intra class conflicts that have traditionally governed the behaviour of the business community.

The discussion therefore reveals that, while economic changes are indeed important the level and form of inclusion states offer business associations and entrepreneurs do impact the level and form of mobilization.

CONCLUSION

By looking at the case of TÜSIAD, which has pressed for democratization and issues that presented a radical break from the dominant Turkish ideology, the current dissertation has examined an instance when the economic elite was willing to break its ties from the state and embrace a democratizing role that is central to existing debates in the literature. In so doing, it was able to outline that the private sector can become open to change and oppose the arbitrary nature of the state and the deficiencies of democracy, even in cases of late-development where this type of behaviour is not widely predicted by the literature. This radical shift has therefore enabled the dissertation to tackle the question of why and when under capitalist development the private sector becomes an engine of change and a democratizing force rather than a conservative one.

To do so, I have selected to test the primacy of economic changes versus political factors in order to contribute to existing debates in the literature about the exact relationship between capitalism and democracy. To remember, some linked both the existence of democracy and its absence under capitalism to the needs and structure of the private sector⁹⁶, while others emphasized the role of state tradition in predicting both

⁹⁶ These include work that see an affinity between capitalist development and the rise of democratic institutions such as, Marshall, T. H. (1950) and Lipset, S. M. (1960) as well as work that link the rise of

political outcomes and the regime loyalties of business⁹⁷. Furthermore, the theoretical discussion had illustrated that there was some confusion in the literature about the exact impact of the structural power/weakness of business, and more specifically industrial capital, on its regime loyalties. A powerful business class was sometimes presented as pressing for change while at others resisting it. Similarly, business's conservatism in some cases was linked to its weakness as much as business's structural advantage in other cases (Payne and Bartell, 1995). The thesis, therefore, set forth to contribute to these discussions by mainly focusing on an examination of the economic and political factors behind TÜSIAD's demands.

Chapter 4 has, thus, demonstrated that TÜSIAD members have undergone significant economic changes since the 1970, which have made demands for democracy and state reform more appealing. Since the 1980s, Turkey has shifted from more inward oriented models of development to more outward oriented models of growth, through the gradual liberalization of trade and markets. Combined to this change was also the intensification of ties with the EU, which has led to an expansion of trade activity with the region. In this chapter, it was illustrated that the manufacturing sector's response was to embrace these changes in order to become the main export sector in Turkey, when compared to the 1970s.

Within this framework, it was shown that large Holdings from TÜSIAD, as well as TÜSIAD members in general, represented a big share of this rise in Turkish export activity. In addition to exporting more, firms linked to TÜSIAD had built foreign

authoritarianism to the needs of industry and the prerogatives of capitalist development such as, O'Donnell (1978) and Evans (1979).

⁹⁷ These hold that political tradition is key in shaping the manner in which the above capitalist interests will be included within the state, such as Mann (1987) for the case of Western Europe or Bugra (1995) for the case of Turkey.

partnerships to transfer technology from the rest of the world through joint ventures. Consequently, the chapter demonstrated that both in the activities of TÜSIAD members and the discourse adopted by the association and my informants, there was a willingness to actively integrate with the rest of the world rather than oppose these changes. At the same time, it was shown that Turkish manufacturing in general and TÜSIAD members more specifically had moved towards more capital intensive sectors to produce higher value added goods. Hence, influential Holdings from TÜSIAD and smaller members had over the years moved towards more capital intensive production, had become more international and had developed foreign partnerships.

The chapter argued that these changes provided opportunities and constraints for TÜSIAD members. On the one hand my informants felt that they now had firms that were willing and able to compete with the rest of the world, on the other they felt that much was still needed to be done to become fully competitive. The major issues touched during interviews were the need to increase productivity through technology transfers and FDI, to create economies of scale within the country in order to increase production and productivity, to focus on the creation of a more skilled labour force and to decrease uncertainty in order to facilitate longer term planning and investment. It was revealed that my informants built a link between these needs and some aspects of democracy. Some touched on issues of education and social policy to create a skilled labour force and markets, the informants overall favoured a different state to increase both the efficiency of the private sector and attract FDI into Turkey and in general they favoured the decrease in uncertainty associated with the use of particularistic ties to the state.

While the chapter does not support the argument that the link between capitalist development and democracy is linear, as elucidated by authors such as Marshall (1950)

and Lipset (1960), it nonetheless reveals that there are some circumstances under which the needs of business can contribute to democracy by making this group more autonomous from the state and more favourable to specific reforms. However, it was noted that similar country cases to Turkey have not had business classes as militant as TÜSIAD, and that even within Turkey the association was more radical than others in terms of the issues it was willing to address. As such, while the chapter does confirm the view that there can be an instrumentalist relationship between capitalism and democracy at higher stages of development, it was therefore proposed that these economic changes were a necessary but not sufficient condition to lead to such radical a break from the state.

Chapter 5 therefore looked at the peculiarities of the Turkish state to uncover whether it would warrant such a response from TÜSIAD. In so doing, the thesis further examines the importance of state tradition and the ability of states to incorporate capitalist demand as predictors of business's political militancy, in the tradition of studies conducted by authors such as Mann (1987) or Silva (1996). The chapter demonstrated that the dual nature of the Turkish state, as referred to by some (Heper, 1991), impacted the shape that business took historically (Bugra, 1995; Keyder, 1990) and TÜSIAD's current stance.

To repeat, the modernization project in Turkey was equated with social and cultural change rather than economic development. To this end, and to consolidate its rule, the Turkish political elite has tended to isolate these policy areas from public debate and has used, along elected governments, economic policy to gain the support of various groups in society. This has created a situation where business has had to build close particularistic ties with officials in order to deal with the highly uncertain economic environment, but was never able to affect the broad policy direction of the country in any

significant way. The discussions in this chapter have revealed that members of TÜSIAD have undergone several changes, which have shifted this relationship in the 1990s. First, they have started to perceive their particularistic access to the state to be too uncertain in a context where they had started to undertake longer-term investments. Second, internationalization and the growing importance of the private sector have increased TÜSIAD members' autonomy from the state. Third, and related to the last point, the growing economic power of TÜSIAD members had also increased their feeling of legitimacy.

However, the chapter and interview data has also illustrated that the growing power of business was not translated to a greater capacity to affect state officials, because of its earlier tradition and capacity to gain the support of other groups in society. This, in a context where the instrumentalist needs of its members led TÜSIAD to tackle more political and social questions, further increased the perception that the state was not receptive to the needs of business.

It was further demonstrated that the exclusion of business not only fuelled the association's break from the state, but also increased its function as a political organization. Within this context, TÜSIAD was able to overcome collective action problems in potentially contentious areas because of the increased legitimacy of the members that can be characterized as being more liberal and pro-democratic ideologically and the channels that the association provided its members to participate in the formulation of its broad political agenda. In making this mechanism more apparent the thesis therefore emphasized that the role of the state and its form of inclusion was essential in predicting the regime loyalties of business.

The last substantive chapter 6 sought to test the proposition that economic changes are necessary but not sufficient to explain business's stance unless its ability to affect the state is also taken into account. In order to do so the chapter outlined the broad economic changes and the level of inclusion that business enjoyed within the state in four other comparative cases, namely: Argentina, Brazil, Chile and Mexico. All four cases, except for Argentina, had witnessed a soar in the significance that international trade had in their economy since the 1970s. However, not all the cases had business organizations as willing to break their ties with the state and touch on issues of democratization as TÜSIAD. This made me turn to the level and form of inclusion that business had to the state as the major difference between the five cases.

Chile and Argentina, in addition to not possessing outward oriented manufacturing sectors⁹⁸, had state and government officials that were willing to consult with business associations at the central executive level. Studies have revealed that this has not only increased the ability of business to affect policy but also made them more receptive to officials' policy implementations. My own comparative study of associations' demands in both countries has revealed that their demands were indeed more materialistic than TÜSIAD's.

Brazil was presented as an interesting case because it did demonstrate on the part of business some attempt to build associations specifically geared at overcoming collective action problems and affecting the broad policy directions of the country. But these had failed because business still had access at a more local level to a highly atomized state, increasing the opportunity cost of participating in such movements.

⁹⁸ It was shown in chapter 6 that the considerable growth in exports that Chile had witnessed was through extraction and primary sectors and not manufacturing as was the case in Brazil, Mexico and Turkey.

Furthermore, Brazilian business associations that represented the community at a more central level were neither as successful nor as radical as TÜSIAD, because the former were organized along corporatist lines that were neither representative of the interests nor reflective of the powers of core groups within capital.

Finally, Mexico is most similar to TÜSIAD in the existence of some associations like COPARMEX that have adopted a discourse of democratization and some individual business leaders who have supported the PAN against the PRI establishment. However, the access that business enjoys to the state at a central level through umbrella organizations such as the CCE make them more timid than TÜSIAD, despite having undergone similar economic changes.

As such, the level and form of inclusion/exclusion granted to business does impact its level of militancy. Furthermore, the historical discussion of all four cases, when combined to more detailed discussions of TÜSIAD, does show that business is most mobilized when it feels that state policy has become too uncertain and that it is excluded from the decision making process. As such, the thesis reveals that it is a combination of economic changes combined with the nature of existing state-business relations that will affect the demands of business.

The current dissertation therefore sheds additional light on key debates within the literature as exposed in chapter 1. One of the main divides in the literature, in discussions both on Western European development and the case of late-industrializing countries, was on the primacy of factors in the causal link between economic and political changes. The current analysis makes contributions on two separate levels, each giving some weight to a different position. The feeling of exclusion expressed by my informants and the nature of the Turkish state illustrate that states are indeed able under some circumstances to be

independent of capitalist interest. The central role played by an autonomous state in shaping the regime loyalties of business does confirm analyses that see either state tradition (Hall, 1986; Mann, 1987) or the level of inclusion business has (Conaghan, Malloy and Abugattas, Silva, 1986) as an important factor in determining both the shape of capitalism and the situation of capital.

As such, the thesis demonstrates that it is more important to look at the level of state autonomy and the form and level of inclusion to understand the type of political action that business undertakes. This undermines studies that solely concentrate on the structural power of business as the determinant of the stance business takes, as it overlooks the form of resistance the state can take vis-à-vis capitalist interest. This approach is also empirically sounder, as it is less conducive to conflicting findings about the exact impact of business's political or structural powers.

Nonetheless, the chapter on the evolving needs of TÜSIAD members has shown that there are economic conditions and forms of capitalist production under which business can see democracy as being in its economic interest. As such, the thesis does not entirely refute the claim that the evolution of economic interest under capitalism is an important determinant of political preferences. In outlining the importance of both economic changes and state tradition, the thesis therefore contributes to the related debate on business's structural power and its impact on political preferences and ideologies. To remember, it was noted that there was some tension between and within different scholarly traditions on the exact manifestation of this power. When powerful, business is at once seen as being able to oppose or promote regime changes, and when too weak business is seen as attempting to preserve existing state-society relations to maintain its privileged access to the state. Hence, varying levels of power are represented as having a

conflicting impact on the stake that business will have in political change. The current dissertation helps solve this ambiguity by suggesting a different way of looking at the problem and proposing to examine three different levels. First, the instrumental needs of business does impact its ideology, but these should be clarified in order to understand what type of demands they are going to lead to. The research on TÜSIAD reveals that in this case they are compatible with democratization. Second, by demonstrating that the state was not responsive to business's needs in the case of Turkey and that this was different in the cases of Argentina, Brazil, Chile and Mexico, the thesis does show that state officials have some level of autonomy in forging their relations to groups in society. This leads the economic elite to be in direct conflict with the political elite when, as was the case in Turkey, the state does not cater to the new needs of business. Therefore, looking not only at the needs and structural power of business but also at state tradition is essential in understanding its political stance. There are circumstances where the state's arbitrary power will benefit a business class with close ties to it, while there are other instances where segments of the business class will either be excluded from these channels or lose interest in their profitability. For the literature, the above reveals that the structural power of business should be treated as facilitating its willingness to break from the state, but should not necessarily be equated with an ability to affect policy in an excessive manner.

The findings of the current dissertation and potential work that can build on the current discussion make contributions also in several areas that have not been given full consideration due to concerns of parsimony. The first such contribution is to the literature on business organizations and can be found in chapter 5's argument that the above mechanism had increased the ideological legitimacy of some business leaders

within TÜSIAD and had made it act more like a political organization. More specifically, it was shown that there were individuals within the association who were more liberal than most, and who were politically motivated. It was further shown that TÜSIAD's structure, which permitted participation and member input on these more political issues presented a great source of satisfaction even for smaller members who were not so powerful structurally. The implication of this for the business organization literature is key. The literature views the activity of business associations primarily as a collective action problem where there are opportunity-costs for all members involved. Therefore, this literature looks at periods when it is in the best interest of all members to participate in order to understand the success or failure of these groups. However, I believe that this is best suited in understanding the associations' stance on economic policy. When business is mobilized, because of an irresponsive state, associations like TÜSIAD can become political organizations, which do permit them to solve collective action problems in a different manner.

The second such contribution is through the emphasis on the level of inclusion/exclusion business has to the state. The dissertation makes a final contribution to the state-business literature that has studied mainly its impact on policy and developmental goals. It was noted throughout the dissertation that this literature focused primarily on the state and its ability to insulate itself from pressure as leading to successful policy outcomes. The case of TÜSIAD reveals an instance in which business is driven by longer-term concerns than a state that seeks to reproduce its arbitrary rule. I therefore believe that this literature should focus more on changes that can emanate from

business, as opposed to the state alone⁹⁹. The dissertation, however, does reveal that states can appease business worries by granting them access to the decision making process. Therefore, some work within the literature, such as Silva (1996), that focuses on the level of inclusion business has in decreasing uncertainty associated with policy and the economic environment is supported by the current thesis.

I believe that these findings can be explored further in future research to overcome the shortcomings of both this dissertation and other previous work. If an economic elite driven by longer-term goals perceives the level of uncertainty created by the state and its arbitrary practices as harmful, then I believe that state practices and their impact should be studied in a manner that is more conducive to comparative analysis. More specifically, I find that work on state-business relations and the manner in which they affect the regime loyalties of business have tended to be single-case studies, with the exception of Rueschemeyer, Stephens and Stephens's *Capitalist Development and Democracy* (1992) and of some edited volumes put together by Silva and Durand (1998) and Maxfield and Schneider (1997).

Rueschemeyer et.al.'s focus has been broad historical, while the chapters of edited volumes have tended to be single case studies. This approach has given a depth of knowledge otherwise unattainable and the cumulative body of knowledge has tended to benefit from the quality of the analysis. Similarly, the current study has tried to overcome potential problems by focusing mostly on the perceptions and expert opinions of my informants to determine that they expressed a genuine dissatisfaction with the state. It has further tried to overcome the shortcomings of single-case studies by putting the

⁹⁹ Even Evans (1997) who focused on the importance of the state in determining development outcomes has recognized that business can become a source of change.

findings in comparative perspective by relying on secondary sources. However, future research should focus on developing a common measure for the levels of states' arbitrariness, corruption and the actual inclusion business enjoys. In so doing and applying a common measures to a wider array of cases, studies can test more effectively the relative importance of economic change to political factors such as state tradition by elucidating whether a specific state, like the Turkish one, is in fact more exclusionary than others.

Finally, the thesis has also revealed that growing internationalization, and in the case of Turkey the possibility of EU membership, did create opportunities and constraints for the business community. It was demonstrated, in chapter 4, that the desire to integrate with the EU and the rest of the world was mostly driven by TÜSIAD's endogenous concerns and was not a simple diffusion or imposition of ideas. To address the validity of this argument further, future research should compare the varying impact that external pressures on cases to determine their importance. One research of direct theoretical and empirical relevance would be to study the impact that EU candidacy (or the possibility of EU candidacy) has had on business associations across Southern and Eastern European nations. In so doing, the condition of business in specific cases and their relation to the state will be clearly outlined.

I believe that this continued line of analysis could further elucidate the private sector's regime preferences, its willingness to embrace and push for change as well as its exact relationship to the state. The case of TÜSIAD does present a moment where business has indeed come to favour democracy and oppose an arbitrary state; further research on similar cases using the same methodology will therefore contribute to

understanding the conditions that affect the link between capitalism and democracy even better.

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Appendix I: Full list of TÜSIAD publications by year and type

Year	Economic Publications	Political Publications	Mixed
1974	<ul style="list-style-type: none"> -An investigation on taxes on institutions (Book by Abac) -New developments in management, the participation of workers (translated book) -The administration of price control (report) -The Cyprus economy (report) -The allocation of interest (report) -Foreign Capital in the Tourism sector (report) -The cotton problem (report) -Perspectives and recommendations on the 1975 program and budget (report) -Developments in our exports (report) -Tax rebates in exportation (report) 	<ul style="list-style-type: none"> -The business community and education (Book by Finley) 	<ul style="list-style-type: none"> -Development or Profit (Book by Schaefer) -The politics of inflation, wages and price control (Offset) -A universal perspective on business-state relations (Book by Bivens and Lambeth) -Private enterprise in the past 50 years (brochure) -The role of the private sector in Turkish industry and TÜSIAD (brochure)

1975	<ul style="list-style-type: none"> -Cost analysis in the manufacturing sector (offset) -Bill on the promotion of investment, exports, tourism and foreign currency earning services (offset) -Activities of the ICC-International Chamber of Commerce-in the 1975 Madrid conference (offset) -Advertisement expenses in 1974 (offset) -The Iran economy (report) -The problem of capital markets in Turkey (report) -Perspectives and recommendations on gluts in the economy (report) -The USA report (report) -The Pakistan economy (report) -Developments in the private sector in 1974 and expectations about 1975 (report) 	<ul style="list-style-type: none"> -TÜSIAD in the Press (brochure) -The promotion of the private sector in public opinion (offset) 	<ul style="list-style-type: none"> -Profit (translated book) -Development and regional balance (book) -Turkey at the CEE impass (offset)
1976	<ul style="list-style-type: none"> -Incentive measures in exportation (offset) -Conference on the Turkish economy (book) -The world economy in indicators (book) -Developments in the private sector in 1975 and expectations about 1976 (report) -The 1976 economic program and budget (report) -The evaluation of the third five year plan (report) -Problems and implementation of investments with incentive licences (report) -Advertisement expenses in 1975 (report) 		<ul style="list-style-type: none"> -What do we want from the EEC? (offset)
1977	<ul style="list-style-type: none"> -The Brazilian model (offset) -Developments in the private sector in 1976 (report) -Perspectives on the 1977 	<ul style="list-style-type: none"> -The NATO report (offset) -Speeches (report) -The USA report (report) 	<ul style="list-style-type: none"> -Tek suclu katma protokol mu? (offset)

	<p>economic program and budget (report)</p> <p>-Developments in the Industrial sector in 1976</p> <p>-Perspectives and Recommendations on the goals and equilibria of the 1978 intermediate program (report)</p>		
1978	<p>-Notes about articles in the tax bill that should be taken into account in order not to hinder institutionalization (offset)</p> <p>-Perspectives and recommendations on the measures to stop waist (olaylara bakis)</p> <p>-Perspective and recommendations on stabilization measures (olaylara bakis)</p> <p>-Exporter's recommendations for the promotion of exports (olaylara bakis)</p> <p>-A five year development plan for structural change (olaylara bakis)</p> <p>-Research on Turkey's foreign debt (olaylara bakis)</p> <p>-State owned enterprises and their istirak (olaylara bakis)</p> <p>-Quotas implimented by the EEC on Turkish textiles (olaylara bakis)</p> <p>-Perspectives and recommendations by tax experts on the tax bill (offset)</p> <p>-What can be done within the framework of the katma protocol? (research)</p> <p>-Construction services abroad as a source of foreign currency (research)</p> <p>-Developments in the private industrial sector in 1978 and expectations about 1979 (research)</p>	<p>-Perspectives and recommendations on Turkey's fundemental problems when entering the year 1979 and the 1980s (research)</p>	<p>-Perspectives and recommendations on the measures to stop waist (olaylara bakis)</p> <p>-Perspectives and recommendations on the five year freeze on EEC-Turkey relations (olaylara bakis)</p> <p>-Perspectives and recommendations by tax experts on the tax bill (offset)</p> <p>-Perspectives and approaches about the EEC (report)</p> <p>-How does the private sector evaluate EEC-Turkey relations? (report)</p> <p>-Perspectives and recommendations on Turkey's fundemental problems when entering the year 1979 and the 1980s (research)</p>
1979	<p>-What does the IMF want? (olaylara bakis)</p> <p>-A way out of the crisis at the start of 1980 (olaylara bakis)</p>	<p>-How did we come here? (olaylara bakis)</p> <p>-Pamphlets in the domestic and foreign press (brochure)</p>	

	<ul style="list-style-type: none"> -Conference speeches on the Turkish economy in 1979 (book) -Perspectives and recommendations on the 1979 program and budget (report) 		
NA			
1982	-Report on financial intermediaries (report)		-Report on State owned enterprises (report)
1983	-Developments and notes on the world economy (report)	-State bureaucracy (report)	
1984	<ul style="list-style-type: none"> -Perspectives and recommendations on the value added tax (report) -An econometric model of the Turkish economy (1965-1983) (report) 		
1985	<ul style="list-style-type: none"> -Examples from eight countries for modern export incentives (report) -Summary information on Japanese Federation of economic organizations (Keidenren) (report) -Problems and recommendations on capital markets (report) -TÜSIAD announcement on certified financial advisors (report) 		<ul style="list-style-type: none"> -Government interventions in the economy and their transparency problem, the example of Japan (report) -The market solution (report-translated from Guy Sorman)
1986	NA	NA	NA
1987	<ul style="list-style-type: none"> -Internal Debt: Situation and Problems. -The state of Turkish tourism today. -External debts, predictions and Analysis. -The problems of the private sector. -The situation in the Istanbul market. 		<ul style="list-style-type: none"> -The European Community and the Problem of Turkey's full membership -Market economy and application in Turkey -Problems associated with Entrepreneurship in Turkey and solutions. -The Arab Republic of Egypt, Basic Information and Economic developments. -The liberal solution (Translated book by Guy Sorman).
1988	-Indicators of Modernization, Industrialization and Development in Turkey.		<ul style="list-style-type: none"> -The Private-Public balance in the post-1980 Turkish Economy. -The economic state of Spain

	<ul style="list-style-type: none"> -The European monetary system, the use of ECU and their implications for Turkey. -TÜSIAD survey of public opinion about current economic issues. -A survey on the magnitude of unemployment in Turkey. -The economic potential and contributions to the Turkish economy of Turkish businessmen in the Federal Republic of Germany. -The Transportation sectors in the EC and Turkey (Problems of compatibility). -The Banking sectors in the EC and Turkey (Problems of compatibility). 		<p>and Portugal (particularly after joining the EC).</p> <ul style="list-style-type: none"> -Intersectoral dialogue and transparency in the Turkish economy
1989	<ul style="list-style-type: none"> -Firm law and Capital Markets in the EC. -Agreements to prevent International double Taxation and their implimentation in Turkey. -The internationalization of the Turkish financial sector. 		<ul style="list-style-type: none"> -Economic solutions for stable development and reindustrialization.
1990	NA	<ul style="list-style-type: none"> -Education in Turkey: Problems and Solutions for Structural Adjustment to Change. 	
1991	<ul style="list-style-type: none"> -Report on Forests. -Indicators for the Turkish Economy. 	<ul style="list-style-type: none"> -The Values of Turkish society. 	<ul style="list-style-type: none"> -Turkey towards the 21st century: A strategy towards the future.
1992	<ul style="list-style-type: none"> -The Turkish Economy on the 100th day [of the new government] 	<ul style="list-style-type: none"> -Local Governments; Problems and Solutions. -International Symposium on National Participation and Consensus building. 	<ul style="list-style-type: none"> -Cooperation between Government and Society in Industrialization. -Ethics (Translated book by Francis McHugh). -Privatization and its Implimentation in Turkey.
1993	<ul style="list-style-type: none"> -Black Sea Economic Cooperantion Region; An economic appraisal. 		<ul style="list-style-type: none"> -The implimentation of privatization in Mexico and Argentina. -The implimentation of privatization in developing nations.
1994			<ul style="list-style-type: none"> -Higher education, science and technology in Turkey and the world.

1995	<ul style="list-style-type: none"> -Making Europe more competitive: Towards world class performance (translation of a UNICE report). -Towards a new medium-term stabilization plan for Turkey. -The financial problems of firms and alternative sources of finance. 	<ul style="list-style-type: none"> -A new state for the 21st century: the optimal state. -Towards the design of a new electoral system for Turkey. -Local governments: Problems and solutions. 	<ul style="list-style-type: none"> -Views on higher education, science and technology in Turkey and the world. -The share of resources between the public and private sectors since 1980 and its consequences. -Public spending and debt in Turkey. -The problems of social security in Turkey, solutions and the private insurance initiative.
1996	<ul style="list-style-type: none"> -A long-term perspective and recommendations for Turkey's exports. 	<ul style="list-style-type: none"> -Discussions of the electoral system and a two round system. 	
1997	<ul style="list-style-type: none"> -Total quality in Information Technologies: Seminar on its role in organizations. -Unemployment in Turkey: Structural and non-structural characteristics. -Competitiveness strategies and best practice. 	<ul style="list-style-type: none"> -Perspectives on Democratization in Turkey. -On the prosecution of civil service. -A draft for local government law. -A draft for association law. -Study on the institution of ombudsman. -Political party law. -Elections, the the Turkish Grand National Assembly and Government Systems. -Local Governments. -Rule of law and the legal system. 	<ul style="list-style-type: none"> -Restructuring of the Turkish social security system. -Panel on Eurasia.
1998	<ul style="list-style-type: none"> -Total quality governance article contest: winning articles. -Extra-Tariff International Trade barriers caused by the protection of the environment: An action plan for Turkish Industry. -An appraisal of Turkey's energy strategy towards the 21st century. -A project to enter competition policy. -Governance for the development of Technology and product innovation in transportation vehicles sub-sectors. 	<ul style="list-style-type: none"> -Human Rights. -Quality in the legal system. -A simulation model for a two round election system in small districts. -A window of opportunity for Turkey: Demographic change and its impact. 	<ul style="list-style-type: none"> -The Economy of the Northern Cyprus Turkish Republic: Problems and solutions. -Towards a new strategy for a trade and economic diplomacy. -The EU's economic policies and their impact on Turkey. -Competition law within the EU. -Infrastructure development analysis: A pilot project for nine regions.

1999	<ul style="list-style-type: none"> -Competition strategies and total quality in the consumer durables sub-sector. -Searches for a new balance in agricultural policy and Turkey. -“Offset” practices in the Turkish defence industry. 	<ul style="list-style-type: none"> -Structural problems in Turkish-Russian relations and solutions. -Towards full EU membership: Political criteria and adjustment period. -Perspectives on Democratization in Turkey: Debates and latest developments. 	<ul style="list-style-type: none"> -The restructuring of technical and trade education in Turkey. -Report on the promotion of entrepreneurship in Europe and comparisons (UNICE publication translated by TÜSIAD and TISK).
<p>Sources: (TÜSIAD 1975; TÜSIAD 1976; TÜSIAD 1977; TÜSIAD 1978; TÜSIAD 1979; TÜSIAD 1980; TÜSIAD 1981; TÜSIAD 1982; TÜSIAD 1983; TÜSIAD 1984; TÜSIAD 1985; TÜSIAD 1986; TÜSIAD 1987; TÜSIAD 1988; TÜSIAD 1989; TÜSIAD 1990b; TÜSIAD 1991; TÜSIAD 1992a; TÜSIAD 1993; TÜSIAD 1994; TÜSIAD 1995c; TÜSIAD 1996b; TÜSIAD 1997k; TÜSIAD 1998d; TÜSIAD 1999c; TÜSIAD 2000e; TÜSIAD 2001)</p> <p>Note 1: All titles are my own translation from Turkish.</p> <p>Note 2: The categorization of titles is based on my own judgement.</p>			

Appendix 2: List of Informants

Alaton, Ishak, TÜSIAD member, then member of the Parliamentary affairs commission, president and co-founder of Alarko Holding.

Anonymous-1, TÜSIAD member, Textile industry and trade.

Anonymous-2, TÜSIAD permanent staff member.

Anonymous-3, TÜSIAD permanent staff member.

Anonymous-4, TÜSIAD permanent staff member.

Anonymous-5, Publishing, Editor of a financial magazine.

Anonymous-6, Expert at the Competition Board.

Anonymous-7, Adviser at the Prime Minister's office.

Alpay, Sahin, Academic, currently member of TÜSIAD.

Argüden, Yilmaz, TÜSIAD member, consulting, ARGE danismanlik AS.

Basaran-Symes, Cansen, TÜSIAD member, consulting and auditing, PriceWaterhouse Cooper's Turkey

Bayraktar, Sezgin, TÜSIAD member, Industry, Eczacibasi Holding AS.

Belge, Murat, Bilgi University.

Berker, Feyyaz, TÜSIAD member, TÜSIAD Chairman (1971-1979) and High Advisory Board member and president (1985-1996), co-founder and co-president of Tekfen Holding AS, August 19. Istanbul.

Betil, Ibrahim, former TÜSIAD member, then Chairman of Turkey's Educational Volunteers.

Dicle, Ebru, TÜSIAD Deputy General Secretary. Istanbul.

Duna, Cem, TÜSIAD member, then president of TÜSIAD's European Union affairs commission, consulting, president AB Danismanlik ve yatırım isleri AS.

Durgut, Metin, Middle East Technical University, Industrial Engineering.

Eczacibasi, Bülent, TÜSIAD member, TÜSIAD Chairman (1991-1992) and president and co-president of the High Advisory Council (1992-1999), Industry, President of Eczacibasi Holding AS.

Erkin, Tugrul, TÜSIAD member, contracting.

Eroglu, Musa Galip, TÜSIAD member, Industry, Hidrotek Aritma Insaat Sanayi ve Ticaret LTD.

Izmen, Ümit, TÜSIAD Deputy General Secretary. Istanbul.

Kaleagsi, Bahadir, TÜSIAD Brussel representative.

Kaslowski, Aldo, TÜSIAD member, Industry, Chairman Organik Holding.

Kaynar, Serif. 2002. Serif Kaynar, TÜSIAD member, Consulting, K-Partners Turkey.

Keyder, Çağlar, Bosphorus University department of Sociology.

Kudatgobilik, Tugrul. 2002. TÜSIAD member, Industry,, Koc Holding AS.

Kurtsan, Meltem. 2002. Meltem Kurtsan, Pharmaceuticals, Kurtsan Ilaclari AS.

Orçun, Alp, Industry, Eczacibasi Holding. Istanbul.

Soli Özel, Bilgi University, Editor of TÜSIAD's "Private view".

Paker, Can. 2001. TÜSIAD member, Industry, Türk Henkel AS. Istanbul.

Pasiner, Volkan, TÜSIAD member, Industry, Pasiner Sirketler Grubu, July 9. Istanbul.

Suhubi, Mehmet, TÜSIAD member, Industry, Teslo Tekstil Urunleri Sanayi ve Ticaret AS.

Tükel, Haluk, TÜSIAD member, TÜSIAD Secretary General. Istanbul.

Üstün, Temiz, TÜSIAD member, Industry, Enka Holding Yatirim AS. Istanbul.

Varlier, Oktay, TÜSIAD member, Industry, Alarko Holding.

Yavan, Zafer Ali, TÜSIAD Ankara representative.

Yenigün, Mithat. 2002, TÜSIAD member, Construction, Yenigün As.

Yildirim, Zekeriya, TÜSIAD member, Consulting, Yildirim Danismanlik.

Yircali, Rona, TÜSIAD member, Finance, Chairman Yapi Kredi Bank.

Yücaoglu, Erkut, TÜSIAD member, TÜSIAD Chairman (1999-2001), Contracting, MAP AS.

**Appendix 3: McGill University Research Ethics Board Certificate of Ethical
Acceptability of Research Involving Humans**