Bargaining with Multinationals: Why State Capacity Matters

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Dominant models of bargaining between states and multinational corporations (MNCs) have widely held that bargaining relations, especially in high-technology manufacturing, have changed from confrontational to cooperative. It is consequently argued that there is little formal entry bargaining among these actors. However, there are three primary weaknesses in this literature. First, the understanding of outcomes is limited to the terms of investment agreements. This static view ignores the dynamics of bargaining processes and decisions not to invest, which also deserve explanation. Second, it is MNC-centric, ignoring state’s privileged role in relation to the governance of entry bargaining in domestic policy-making processes. Third, it views state as a monolithic entity, ignoring the bargaining that occurs inside states. To redress these issues, this article offers a state-centric bargaining model. It identifies administrative and institutional capacity as two critical components of state capacity. It chooses the entry bargaining from 2005, when Hyundai Motors Corporation considered establishing a USD1.5 billion car-manufacturing plant in Turkey. It shows that state capacity in the governance of a domestic policy-making process affects the outcome of entry bargaining: When state capacity is weak, an MNC’s decision not to invest is a more likely outcome.

Keywords: state, government and business relations, state capacity, governance, entry bargaining, multinational corporations, developing countries, Turkey, Hyundai

Introduction

Does bargaining over entry define host state (HS) and multinational corporation (MNC) relations in a globalising world economy? Do the high relative resources and stakes that HS and MNC have, and similarity of interests between them, in the bargaining always deliver investment outcome? Following the trend of economic liberalisation across national economies in the 1980s, HSs gradually removed restrictions on inward foreign direct investment (FDI) such as screening or
performance requirements, ownership restrictions and licensing agreements featuring technology transfer (UNCTAD 2000: 6). This removal of restrictions is because states have increasingly considered inward FDI as complementary to their own development objectives. Not surprisingly, from the 1990s onwards, interaction between HSs and MNCs in high-technology manufacturing changed from being ‘predominantly adversarial and confrontational to being non-adversarial and cooperative’ (Dunning 1991, 1998: 280; Stopford and Strange 1991: 1; Vernon 1998; Luo 2001). Thus, it is assumed in international business (IB) research that there are cooperative/non-adversarial bargaining interactions between HSs and MNCs that would eventually deliver investment deals. It is widely accepted in the literature that bargaining does not define HS and MNC relations: ‘... today, few governments restrict inward FDI, either in the form of screening or performance requirements, so that little formal bargaining over entry occurs between MNCs and host governments’ (Eden et al. 2005: 253, emphasis added; see also Eden and Molot 2002). When the focus is on bargaining at national level, the emphasis is on the relative bargaining resources and stakes of HSs and MNCs, and similarity of interests between them that influence investment outcome (Grosse 2005).

Further, it is also assumed that HSs in developing countries ‘have become so much FDI friendly’ because states in advanced developed countries have used bilateral or multilateral agreements ‘to weaken the hands of [HSs]... while strengthening that of their MNCs [in bargaining interactions]’ (see also Stopford and Strange 1991: 215–6; Ramamurti 2001: 24). It is argued that FDI-friendly conditionalities imposed by multilateral organisations such as the international Monetary Fund (IMF) and World Bank over developing countries’ governments offer MNCs more protection and bargaining leverage (Ramamurti 2001: 31–3).

The Turkish failure to attract USD1.5 billion investment in a car-manufacturing plant by Hyundai Motors Corporation (HMC) in 2005 challenges these prevailing assumptions in the bargaining literature: if states have been competing with each other since the 1990s for inward FDI in high-technology manufacturing, why was it that the Turkish state was in a conflictual rather than a collaborative interaction with HMC, and the outcome was HMC’s decision not to invest? Despite high resources, relative stakes and similar goals between the two sides at the outset, why was it that HMC withdrew from the bargaining? If multilateral organisations impose FDI-friendly conditionality over developing countries, why was it that the IMF, as an external actor embedded in the Turkish political economy, constrained the government’s policy capacity to offer firm-specific investment incentives during the entry bargaining?

It is also interesting to note that the Turkish and Czech states were in direct competition to host HMC investment during the 2005 entry bargaining processes. The bargaining outcome was investment decision in the Czech Republic (Bakir 2009). Is previous theoretical prediction that an investment outcome is more likely when the state has capacity to steer the entry bargaining process towards investment idiosyncratic to HMC’s experience in the Czech Republic or not?

State capacity refers to ‘the state’s ability to mobilise societal and economic support and consent for the achievement of public-regarding goals’ (Painter and Pierre 2005: 2). The current IB research ignores this pivotal role of the state in the governance of entry bargaining in domestic policy-making processes.
Rather, it focuses on the terms of investment agreements (generally the ownership percentage maintained by MNCs). This is a narrow and static view: it is outcome-oriented where the understanding of outcome is limited to the terms of the investment agreement. It ignores both the dynamics of bargaining processes and decisions not to invest, which also deserve explanation. Further, it is MNC-centric where the state is a monolithic entity and its role in this process is delegated to a residual category.

In a similar vein, to date, scholars of international political economy (IPE) and comparative public policy (CPP) have also neglected bargaining interactions between HSs and MNCs in domestic policy-making processes, by which investment decisions or decisions not to invest are made. This neglect may reflect the fact that IPE scholars who study bargaining outcomes of international or bilateral trade agreements have paid little attention to the role of state capacity in influencing such outcomes. This is the case when political economists looked at domestic political economy, while CPP scholars who study state capacity have tended to ignore inward FDI issues and entry bargaining. The result is an important gap in past literature: both sets of literature have overlooked the importance of the link between state capacity and bargaining outcomes.

Economic geographers have also benefited from the bargaining literature and have examined the nature of relationships between MNCs and states (Phelps 1997; Phelps and Raines 2003; Iammarino and McCann 2013). One of the main concerns of this literature has been the links between economic geography and development with special reference to ‘spillovers’ from MNCs to the local/regional economy. There are two main valuable theoretical and empirical insights derived from this literature to the entry bargaining and state capacity discussion for the rest of this paper. First, economic geographers remind us of the non-monolithic nature of the state (that is, national, regional and supra-national actors), inter-regional and intra-regional competition and collaboration among public-sector actors, and multiple actors involved in state and MNC bargaining (Phelps et al. 1998; Tewdwr-Jones and Phelps 2000; MacKinnon and Phelps 2001a). Second, they emphasise the significance of institutional capacity building. This included common bureaucratic agendas and collaboration ‘to attract and embed’ FDI in the context of regional governance and economic development (MacKinnon and Phelps 2001b: 255). Specifically, such institutional capacity contributes significantly towards customising incentives (Peck 1996; Phelps and Tewdwr-Jones 1998). It also offers ‘innovative and competitive packages’ to the needs of key MNCs that contribute to collaborative interactions and partnerships between MNCs and public-sector actors (Phelps and Tewdwr-Jones 2001: 1253). Economic geographers have also recognised ‘[t]he asymmetrical bargaining position of MNCs over states’ in the context of ‘information asymmetries’ and ‘coordination failures on the part of governments’ at regional levels (Phelps 2008: 469). However, they do not explicitly deal with the state-led governance of entry bargaining processes at national level.

This article seeks to fill these gaps in the IB, IPE, CPP and economic geography literatures. It offers a state-centric bargaining model. This process-based model has mobilisation, conflict and resolution stages. It shows that HS and MNC entry bargaining is a multi-level and multi-acted process where strong state
capacity in resolving conflicts and steering this governance process towards agreement is fundamental. In the context of developing countries, strong state capacity promotes the conclusion of bargaining processes with an investment outcome, whilst weak state capacity generates non-investment outcomes.

This article is divided into five sections. The first offers a literature review. The second introduces the state-centric bargaining model. The third justifies the explanatory case study method, the adopted research design and method of data collection. The fourth presents and discusses the HMC case. The final section concludes that a decision not to invest by an MNC is most likely when HS has weak capacity to steer an entry bargaining process towards an investment deal. It also considers the research and practical policy implications of this finding.

### Literature review

This section reviews the theoretical models of entry bargaining and state capacity, allowing the paper to describe state capacity in an entry bargaining context. The review is therefore divided into two parts. The first introduces the main bargaining models in the IB and IPE literatures, which are also recognised by the economic geography literature. The second reviews the CPP literature on state capacity.

#### Bargaining models

Different models of bargaining interactions between HSs and MNCs have been advanced in the IB and IPE literature. Among those are the obsolescing bargain, political bargaining, Behrman–Grosse, triangular diplomacy and two-tier bargaining models.

The literature’s traditional model of entry bargaining is widely known as the ‘obsolescing bargain model’ (OBM). It reflects conflictual bargaining between HSs and developed country multinationals in natural resource industries in the 1960s and 1970s (Vernon 1971, 1977; Moran 1978; Kobrin 1980, 1987; Mytelka 2000). The bargain is expected to obsolesce over time as the HS is likely to have new demands from the relatively immobile MNC following its sector-specific investments. The key vulnerabilities of MNCs include expropriations, adverse regulatory changes, renegotiation of contracts and performance requirements imposed by the HS. However, Bennett and Sharpe (1979) argue that the balance of bargaining power, especially in high-technology manufacturing, shifts in favour of the MNC. For example, once car manufacturers have access to a market, they become integrated into the local economy and establish relationships within the host country, strengthening their bargaining power vis-à-vis HSs. Moreover, HSs increasingly pursue cooperative relations with MNCs as economic globalisation intensifies by realising the potential contribution of inward FDI to national economic growth and development. Thus, ‘the widely held view among [IB] scholars is that the OB model has outlived its usefulness’ (see also Ramamurti 2001: 23; Eden and Molot 2002: 362; Eden et al. 2005: 253). In contrast to this view, recent research has shown the viability of the OBM in the oil industry (Stevens 2008; Vivoda 2009: 520). Similarly, between 2002 and 2010, there was a partial return to more restrictive FDI policies.
more regulatory policies in extractive industries, including nationalization, expropriation or divestment requirements as well as increases in corporate taxation rates, royalties and contract renegotiations’ guided by ‘industrial policy considerations’ (UNCTAD 2012: xx, see also 79–81, emphasis added).

The ‘political bargaining model’ (PBM) is an upgraded version of the OBM. It recognises minimal formal bargaining between HSs and MNCs. Here, ‘MNC-state relations are modelled as iterative political bargains between MNCs and governments over a wide variety of government policies at the industry level’ (Eden et al. 2005: 254). The PBM focuses similarity on ‘goals, resources and constraints as a theoretical lens through which to examine MNC-state relations over time’ (Eden et al. 2005: 268). Like the OBM, the relative bargaining power of HSs and MNCs occupy centre stage in explaining the bargaining outcome in the PBM. Specifically, the primary focus is on HSs’ and MNCs’ economic sources of relative bargaining power as an ability or capacity to achieve their respective ends in investment deals (Vachani 1995). It is assumed that an MNC’s bargaining power resources include ownership advantages, such as capital and technology, while an HS’s bargaining power resources include its location-specific advantages, such as access to home markets, natural resources and cheap and skilled labour (Poynter 1985; Boddewyn 1988).

Following this perspective, the ‘Behrman–Grosse’ model (Behrman and Grosse 1990; Grosse 2005) offers the ‘three-dimensional view of government–business relations’. The first dimension includes relative resources ‘that are of interest to the other actor in the bargaining context’ (‘whichever side had greater resources would obtain the better “deal”, in the sense of more favourable treatment’). The second includes the relative stakes that HS and MNC ‘have in a given bargaining situation’ (‘the possible losses that each side could incur if a successful bargain were not achieved’). The third refers to similarity of interests between them (‘the more similar the goals of a company and the government, then a successful relationship between them are less likely’) (Grosse 2005: 276–82).

In addition to these bargaining models, the ‘triangular diplomacy’ model is an earlier work focusing on competition between states and firms for world market share (Stopford and Strange 1991). This model moves beyond the OBM and describes the triangle of bargaining among states (in terms of trade policy, bi- and multilateral treaties and domestic policies), between states and firms (in terms of attracting inward FDI) and among firms (in terms of enhancing their global success).

More recently, the ‘two-tier bargaining model’ offers a novel insight into the OBM and the triangular diplomacy model by incorporating Tier-1 bargaining between developing countries’ host governments and developed countries’ home governments (Ramamurti 2001). In this model inter-state bargaining occurs bilaterally or through multilateral institutions, producing macro rules on FDI that affect micro negotiations in Tier-2 (per the traditional bargaining model). It is argued that home governments of developed-country MNCs provide additional bargaining leverage to their MNCs over developing-country HSs through bilateral or multilateral agreements and/or organisations.
These bargaining models have several common weaknesses. First, they concentrate on terms of investment outcome (that is, agreement) rather than the bargaining process itself. Their main focus is on the relative economic resources and stakes, and similarity of HS and MNC interests in the bargaining. Second, their main unit of analysis is the MNC rather than the state. They are MNC-centric because they focus on the relative influence of MNCs’ economic power resources and their country-specific locational preferences as drivers of investment decisions. Thus, they are less concerned with the capacity of states to influence bargaining outcomes with numerous administrative and institutional tools at their disposal in the domestic policy-making processes. Third, they focus on the first face of bargaining (that is, bargaining between HSs and MNCs), ignoring the ‘second face of bargaining’ (that is, intra-state bargaining). This is bargaining relations among public-sector actors in HSs. As Encarnation and Wells (1985: 51) observed, they view a state ‘as a monolithic, undifferentiated whole’. These common weaknesses ignore not only multi-level and multi-acted political economic and bureaucratic struggles in domestic policy processes, but also decisions not to invest that also deserve explanation.

IPE literature is currently interested in international negotiations in trade, finance and investment. It focuses on the international bargaining power of developed-country states (the USA in particular) and domestic political conflicts to explain bargaining outcomes of international and bilateral trade agreements, and trade and service liberalisation (Putnam 1988; Odell 2000). In addition, it examines the structural power of mobile MNCs over immobile states in interstate diplomacy to influence bargaining outcomes in international negotiations (Stopford and Strange 1991; Strange 1991; Crystal 2003). It notes that capital mobility, as a central determinant of trade policy, increases the relative bargaining power of MNCs vis-à-vis immobile states and labour (Thomas 1997).

Although ‘bargaining with multinationals’ has been subject to extensive research in the IPE literature (Loewendahl 2001), we have limited knowledge on how a state’s capacity to steer various actors towards a deal can affect investment decisions. On this course, Encarnation and Wells (1985) offer a pioneering study on how state organisation for negotiations is critical to bargaining outcomes: ‘The establishment of appropriate decision making arrangements and processes has profound impact not only on the outcome of bargaining with foreign firms but also on the domestic political economy’ (Encarnation and Wells 1985: 49). They offer a portfolio of four organisational responses available to a state (Encarnation and Wells 1985: 55–9). The first is abstention from individual negotiations: reliance on rules (‘nonselective policies with respect to private investors, be they foreign or domestic’). The second is diffusion of decision-making (‘difficult negotiations dispersed across several ministries, agencies and enterprises whose operations and interest would be affected by the proposed investment’). The third is coordination of decision-making (the creation of new decision-making structures whose operations cut across the existing functional divisions of government). The fourth is delegation of decision-making (‘decision-making units [have] complete authority to negotiate’). In this view, the choice of organisational structure is determined by ‘general development strategy and resulting attitude toward foreign investment, the salience of the project
being proposed, and the degree of competition with other governments for the kind of investment being sought’ (Encarnation and Wells 1985: 78). However, despite the government’s favourable approach to the FDI, the salience of the investment proposed, and the direct competition with the Czech state, the Turkish state did not offer customised incentives and desired-land-for-free to HMC. The Turkish state relied on non-selective policies. This article proposes that developing-country states are least likely to depart from their general approaches and successfully adopt and implement special organisational responses amongst alternatives when state capacity is weak.

State capacity and state-centric governance models

The state capacity concept is ‘at the heart of governance narrative’ (Matthews 2012: 280). Indeed, governance is defined as ‘a goal-directed’, state-led steering activity, ‘with the need to establish collective goals and develop the means of reaching those goals’ (Pierre 2000; Peters and Pierre 2006: 215). Thus, state capacity constitutes the main attribute of state-centric governance models (Bakir 2009). In terms of the theoretical focus, this article focuses on these models, ‘because the state, despite persistent rumours to the contrary, remains the key political actor in society and the predominant expression of collective interests’ (Pierre and Peters 2000: 25).

Although considerable work exists on state capacity in CPP, relatively little work refines administrative and institutional capacity as its key interrelated dimensions. An appreciation of these dimensions adds to understanding of how and why they can be vital for the state-led governance of domestic policy-making. This section refines these concepts by specifying relevant prior knowledge.

Administrative capacity

Administrative capacity is composed of interrelated relational, policy and fiscal capacities. Here, ‘state strength is a function of bureaucratic centralisation [that is, relational capacity], the quality of bureaucratic elites [that is, policy capacity] and the degree of control exercised by the state over financial resources’ (that is, fiscal capacity) (Atkinson and Coleman 1989b: 54, emphasis added; see also Atkinson and Coleman 1992).

Bureaucratic centralisation relates to the relational aspect of administrative capacity. It includes autonomy (that is, the degree to which politicians and bureaucrats act autonomously from societal organisations) and concentration (that is, the degree to which ultimate decision-making power is concentrated in the hands of a relatively small number of officials). Accordingly, the emphasis is on balance rather than conflict, cooperation rather than competition and concentration rather than fragmentation amongst public-sector agencies in an economy. Moreover, institutionalised mechanisms facilitating coordination and cooperation, and resolving conflicts among public authorities, are fundamental properties of the bureaucratic structure. It is assumed that ‘the more centralised, autonomous and elitist [is] a state bureaucracy and its administrative core, the greater [is] this [relational] capacity’ (Skocpol 1985; Atkinson and Coleman 1989b: 52).
Strong states are regarded as capable states. They are able to realise their goals in the face of opposition from other actors, while weak states are not (Katzenstein 1978; Skocpol 1985; Atkinson and Coleman 1989a, 1989b; Coleman 1996). State strength here means a state’s capacity to accomplish its objectives, which may be in conflict with other actors whose interests are harmed by the state’s actions.

Although strong state behaviour has been a topic of much interest to CPP and IPE scholars, little work has been done that links various forms of power to a state’s relational capacity. This paper suggests that the relational aspect of administrative capacity concerns the state’s utilisation of various forms of power. As Bacharach and Lawyer (1981: 200) note, ‘power is not simply a part of bargaining, it is the essence of it’. Thus, it is important to consider whether states have resources and the will to use those resources by utilising various forms of power during entry bargaining processes.

There are three types of power in this context: ‘power to’ accomplish one’s ends, ‘power with’ others to achieve one’s goals through collaboration and ‘power over’ others by getting other parties to act despite resistance (for various types of power, see Lukes 2005, Mann 2008; in the context of bargaining with MNCs, see Loewendahl 2001: ch: 6). More recently, ‘[g]overnance from a state-centric relational perspective’ is defined as ‘the tools, strategies and relationships used by governments to help govern’ (Bell and Hindmoor 2009: 2, emphasis in original). Here, the emphasis is on ‘power with’, which is about cooperative or consensual forms of resource mobilisation and allocation by states such as public–private partnerships (see Greve and Hodge 2013). However, states can exercise power over society and impose their will on society to achieve desired objectives. This power over is derivative of power to because it refers to a state’s capacity to impose its will on antagonists (Lukes 2005). As such, how effectively a state is able to apply the various dimensions of power becomes a vital issue in state-led governance of entry bargaining.

In addition, the quality of bureaucratic elites, the availability of financial resources and the state’s power over these resources also contribute to its administrative capacity. The former relates to policy capacity. It includes ‘high-quality information, forums of active policy debate, and especially expert, dedicated, and experienced staff in key areas of policy formulation and implementation, [which] are also a vital component of state capacity’ (Bell and Carr 2003: 307). The latter includes not only national budget surpluses and resources from external budget support programmes (for example, European Union, EU, financial support), but also state autonomy to allocate these resources which are vitally important to a state’s fiscal capability.

Institutional capacity

Institutional capacity is an integral part of state capacity. Institutions consist of formal rules (that is, legal/regulatory) and informal norms (that is, ideational) that influence the behaviour of agents. They do so through the ‘logic of instrumentality’ (that is, material environment) and/or the ‘logic of appropriateness’ (that is, cultural environment) (Campbell and Pedersen 2001; Campbell 2004).
The formal institutional foundation relates to the legal framework, such as laws and regulations governing the inward FDI regime and investment incentives.

In the context of informal institutions, Mehta (2011: 27) notes that ‘ideas can function as public philosophies…’. Public philosophy refers to ‘an idea about how to understand the purpose of government or public policy in light of a certain set of assumptions about society and the market’ (Mehta 2011: 27). This structural idea is in the background of formal institutions and agency behaviour (for the role of ideas in guiding state behaviour, see Hall 1993; Blyth 2002; Hay 2004). An idea that state has a superior position in its relations with society and markets is an example. This public philosophy may guide state behaviour and institutions of FDI regime in bargaining relations.

**Figure 1. The state-centric bargaining model**
State-centric model of entry bargaining

Kane (1981: 355) used the concept of ‘regulatory dialectic’ to explain financial regulation as a dynamic process of conflict and resolution between opposing political and economic forces. He argued that ‘introducing political power into economic affairs initiates a dialectical process of adjustments and counter adjustments’ (1977: 55). According to Kane, ‘the dialectical conflict can resolve itself’ in this process (1977: 56, emphasis added; see also Reinicke 1995; Bakir 2011).

Informed by Kane’s (1977, 1981) views on a dynamic process of conflict and resolution, this article generates insight into how the bargaining process develops. It integrates state capacity concept to this process-based view to develop the state-centric model of bargaining (Figure 1). The bargaining process is composed of mobilisation, conflict and resolution phases which involve multiple actors interacting at various levels. Specifically, the bargaining process includes proponents and opponents of MNC investments who mobilise at national, regional and local levels to pressure HSs to adopt positions that would accommodate their respective vested political, economic and/or bureaucratic interests. As such, the conflicting demands of the investments’ allies and antagonists influence bargaining outcomes during the dynamic bargaining process. Thus, the resolution of the bargaining with an investment outcome will be vulnerable to these adverse influences during the bargaining process. This is where the HSs’ capacity (incapacity) to resolve these conflicts and steer the process towards an investment deal can be a key to completion (incompletion) of the investment deals.

Method

This study adopts an explanatory case study method. This is because it poses ‘how’ and ‘why’ questions; the researcher has no control over events, as well as dependent and independent variables; the focus is a contemporary phenomenon within its real-life context; and multiple sources of evidence are used (see Yin 1994: 13). Its aim is not only to explore and describe the outcome of entry bargaining but also to explain causal relationships and to develop the state-centric model of entry bargaining.

Why does this paper choose to study the HMC case in Turkey? Previous research on the entry bargaining between the Czech state and HMC showed how strong state capacity contributed to investment outcome (Bakir 2011). Strong administrative capacity in the Czech Republic included bureaucratic consolidation, effective investment promotion agency in formulating policies, the state’s control over its financial resources and the state’s relational power over the opponents of the investment. Strong institutional arrangements included a competitive FDI regime guided by state industry vision that contributed to the investment decision. However, without examining the HMC case in Turkey, we will not know if the variation seen in the bargaining outcome was due to the state capacity. In this context, this case offers two valuable theoretical and methodological opportunities. First, the mobilisation, conflict and resolution phases of the entry bargaining process (that is, patterns and processes) examined are comparable with HMC’s experience in the Czech Republic. Second, bargaining
outcome (that is, the dependent variable) varies across cases allowing us to know if the variation is due to the variations in state capacity (that is, explanatory variable) or to other differences between the cases that might be related to bargaining outcome. In so doing, it will be possible to determine whether previous theoretical prediction (that is, investment outcome is more likely when the state has capacity to steer the entry bargaining process towards an investment deal) is idiosyncratic to the Czech experience or not.

The article applied the qualitative method of data collection, which comprised a combination of interviews and written sources. There were seven 60-minute semi-structured interviews with open-ended questions conducted in Ankara and Istanbul between July 2009 and April 2013. At the end of the first round of interviews in 2009 and 2010, the interviews increased in focus and depth because of the iterative and cumulative nature of this research. Interviewees included a former Minister of Industry and Trade, three senior bureaucrats and three General Managers in the automotive sector who had a thorough knowledge of the 2005 bargaining process. They provided critical and valuable information concerning the entry bargaining process in Turkey.

Primary written sources such as an official letter and its annex enabled an analysis of what the HMC promised to deliver and requested from the government. The Emerging Markets Electronic Database enabled a search of secondary sources, such as news and company reports published in English and Turkish between 2004 and 2008. The search selected Turkey as a country and used the broad keyword ‘Hyundai’. This paper also covered the written material not covered by the database and scholarly papers for additional information. Other textual sources included reports and press releases of the supranational, public and private agencies.

This paper used these data to generate a chronology of events (Miles and Huherman, 1994). The multiple data sources helped the paper accomplish ‘triangulation’ (Jick 1979). An extensive review of the secondary written sources augmented the interview data. In data analysis, this study kept iterating between the data and emerging theoretical arguments to reach theoretical saturation. Interview transcripts analysis applied NVivo software to code, identify themes of and analyse the data.

The HMC case

The automotive sector plays a significant role in the Turkish economy. This sector was

the 18th largest in the world with an export value of $17.6 billion in 2007. Its export share grew by 1.37 per cent from 1997 to 2007, with Turkey becoming the 16th largest automotive manufacturer in the world by 2010. (Abylkassymova et al. 2011: 21)

Thus, the Turkish state had a strong incentive to host the world’s 90th largest MNC ranked by foreign assets in 2006 (UNCTAD 2006: 222). In a similar vein, HMC was not an outsider in Turkey: Hyundai Assan started its operations as HMC’s Turkish distributor in 1990 and became HMC’s local subsidiary in
1997. HMC had largely overcome the liability of foreignness and had achieved organisational legitimacy by being a partner of a local company. The new local investment could help HMC maximise its long-term after-tax global returns, making Turkey a more attractive location. Thus, each side had high stakes in the bargaining relation.

Unsurprisingly, the Minister of Industry and Trade (hereafter Minister) and the Chief Executive Officer (CEO) of the Turkish partner of the local subsidiary mobilised to convince the Turkish government to provide HMC with appropriate land and attractive investment incentives to bring the investment to Turkish soil. The Minister was the strongest political supporter of the investment. He noted an intense direct competition with other states for the investment:

We were in competition with the governments of Czech Republic and Slovakia which offered very attractive incentives. Based on our initial meetings with Hyundai seniors, it became clear that if we could provide [the] same incentives, the investment would be materialised in our country... We talked and investigated the project. We found it very attractive.\(^5\)

HMC proposed a USD1384 billion investment to create 2793 new jobs and 305,000 units per year with a targeted export valued at USD7.573 billion by 2010. In return, it demanded investment discounts, full corporate tax relief and a free transfer of 47 hectares (116 acres) of land adjacent to a sea port with a fully completed infrastructure.\(^6\)

**Administrative capacity**

Despite the collaborative interactions between the Turkish state and HMC at the outset, there were several major weaknesses in the Turkish state’s administrative capacity. In the words of a very senior government bureaucrat, there was ‘bureaucratic fragmentation... a lack of coordination, cooperation and conflict resolution mechanisms’ to generate coherence and consistency in policy responses.\(^7\) In regards to fragmentation, there were five ministries, three bureaucratic agencies and a municipality that had authority over the processing of HMC’s requests.\(^8\) Accordingly, the administrative decision-making structure and process pointed to a bargaining process dispersed across various public-sector actors (that is, diffused decision-making).

The General Directorate for Foreign Investment (GDFI) was the government department in charge of FDI in Turkey. The GDFI was one of the eight operational general directorates of the Treasury under the Ministry of State in Charge of Treasury. It was under-resourced, uncompetitive and invisible in the FDI entry bargaining process. In the words of the Minister, GDFI ‘did not have a one-stop-shop approach’ in a ‘fragmented bureaucratic environment’:

Industrialists are in contact with the Minister of Industry and Trade [not the Treasury] as they know that we understand their [investment related] problems. With the Treasury’s perspective, it was
impossible to develop an international investment framework [attracting and embedding inward FDI]. . . . When [owners of] foreign capital came to Turkey, they could not get [an] appointment from [GDFI]. . . . I insisted on having [inward FDI related issues] managed under [the] Ministry of Industry and Trade. In so doing, [the] ministry’s staff, undersecretary and deputy undersecretaries, general managers, and specialists could steer [the bargaining process] easily.\(^9\)

In this environment, the GDFI could not play an effective policy advocacy role in advising the government whether the direct cost of incentives would exceed the benefits derived from the investment for the national economy. There was no autonomous bureaucratic agency (for example, investment promotion agency) with strong internal resources including its mission, mandate, human capital and budget to initiate and administer an FDI incentive regime and/or facilitate a coordinated FDI response.

Intra-bureaucratic conflict was the first face of entry bargaining. In the words of the Minister, the Treasury started saying: ‘it is our job because it involves investment incentives’. The Finance Minister began saying: ‘there are tax incentives involved that’s our job’.\(^10\) As a senior bureaucrat noted, there was ‘no active investment promotion and FDI-related capacity building’ through policy advocacy to the government.\(^11\) Unsurprisingly, the CEO of a local subsidiary emphasised Turkey’s need for investment promotion agency: ‘many countries had set-up investment [promotion] agencies [which] facilitated investment agreements. The government has not dealt with this issue in an organised manner’ (cited in Vatan 2005).

Given the salience of the investment for the Turkish economy and competition for the investment, the Minister sought the intervention of the Prime Minister. He aimed for a coordination of policy response:

I took the issue to the Prime Minister. I was also responsible for the evaluation of economic problems as a coordinating minister at the time. I gathered all relevant parties of this issue together. We discussed there and identified issues including incentives to be given within the context of World Bank and IMF stand-by agreements, and what we can accept within the context of European Union relations. [Then], I made a presentation to the Prime Minister who [later] gave full authority to me in the Council of Ministers [to conduct negotiations with HMC].\(^12\)

The Minister formed and led an ad hoc, inter-ministerial and inter-bureaucratic coordinating committee. This committee included senior members of key bureaucracies and ministries that were legally integral to the decision-making process. In so doing, the government aimed to improve its policy capacity and to strengthen the steering role of the Minister in the entry bargaining. In the words of the Minister:
I formed a committee composed of the General Director of the General Directorate for Foreign Investment from the Treasury who is related to investment discounts, general director from Ministry of Finance who was responsible for the allocation of a Treasury land for investment, and a general director from State Planning Organization. *My aim was to prevent conflicts that might arise in the future.* ... We prepared all documents relating to our proposal offering free land close to a sea port, tax and investment incentives, and building infrastructure. We went to South Korea. *I went there to represent the State.* I took bureaucrats with me who would have their signature on this job. [The CEO of HMC’s local subsidiary] also accompanied us. We held top level and long meetings with [the] Hyundai president, chairman and their technical advisors.\(^{13}\)

The appropriate choice of organisational response for negotiations was a mix of coordination and delegation of decision-making.

The Turkish state ‘promised a 40 per cent investment discount, an imposition of only two per cent corporate tax for 10 years for investments over 500 euros, [and] provision of the free land requested’ when the Turkish negotiators visited HMC headquarters in South Korea on 18 November 2005 (cited in Muderrisoglu 2005). HMC’s senior officials ‘agreed to visit Turkey on the basis of our proposal. They asked us to identify potential investment sites in the Organised Industry Regions close to a seaport’, said the Minister.\(^{14}\) HMC’s senior executives reciprocated this visit:

> When we returned [to Turkey], we prepared potential sites and informed HMC officials. They inspected 13 sites we suggested and accepted to have their investment in Corlu that was one of our offers’.\(^{15}\)

As such, the bargaining interactions between the Turkish state and HMC were cooperative at the outset.

**Institutional capacity**

There were still institutional arrangements reinforcing reliance on rules that were in conflict with these customised incentives. There had been three regional classifications for the government’s investment incentives: ‘Priority Regions for Development’, ‘Normal Regions’ and ‘Developed Regions’. The Turkish formal investment regime, which regulated the government’s special financial and fiscal incentives, included direct subsidies, free land offers and tax incentives aimed at channelling investments to underdeveloped regions. These incentives were applied to both domestic and foreign investors. Interviews revealed that the Turkish state was ‘constrained by this legislation’.\(^{16}\) Specifically, to qualify for the support mechanisms, the government offered HMC some unattractive
land in the ‘Priority Regions for Development’ which then included 49 provinces. In the words of the Minister:

Ministry of Finance said that ‘if we offer the land requested they should pay rent for several years . . . ‘If [HMC] want free land, it should choose a site from within 49 provinces in underdeveloped regions as stipulated in the Incentive Law number 5084’. We could not solve the problem . . . 17

Indeed, the Finance Minister noted his preference for non-selective policy response:

We value both national and foreign investors. We appreciate their investments and do our best [to attract and embed FDI]. However, we have to comply with our current legislation and be neutral to everyone . . . I am not in favour of supplying privileges [to HMC]. (cited in Referans 2005)

Similarly, the State Minister responsible from the Treasury underlined the Turkish state’s rule-based approach to bargaining: ‘Principles are important. Turkey should not be in the position of a country that offers incentives through negotiations. How can we explain this to those who invested in the 49 provinces?’ (cited in Sabah 2005, my emphasis). A General Manager of a car-manufacturing firm noted in an interview that this was an ‘archaic’ FDI regime ‘implemented very strictly’ by the government. 18 Collaborative interaction among the parties turned to a conflictual one that defined the ‘two faces of bargaining’. On the one hand, there was a conflict within the state apparatus on investment site and offered incentives. On the other hand, HMC insisted on a site in a developed region along with fiscal and financial incentives. There was no effective state-steering to resolve these conflicts towards the investment deal.

State tradition inherited from the Ottoman period has been a public philosophy influencing formal FDI and incentive regimes and the normative underpinning of state capacity in this instance. The then Deputy Director of the GDFI revealed this informal structure that apparently guided the Turkish investment incentive regime and state behaviour in bargaining with HMC:

We have the same investment incentives for foreign and domestic investors. This is the state’s proposal package [to investors]. I show certain regions and propose which incentives to offer . . . It is up to the investor to accept or reject this proposal. . . . [incentives are not negotiable]. Turkey has 600 years of state tradition. We have certain practices. They are gained via experiences. This is [our] culture and does not change. 19

This view is an exemplar of state tradition inherited from the Ottoman Empire to the Early Turkish Republic, during which time the state bureaucracy enjoyed a superior position in its relations with society and markets. As Ozbudun (2000:
modes notes: ‘The state is valued in its own right, is relatively autonomous from society, and plays a paternalistic role’ (see also Heper 1992, 2001). The state welcomed FDI but specified clear rules and non-selective policies with respect to foreign and domestic investors.

Interview material suggests that the Turkish state was also constrained by the lack of an economic growth strategy reflecting the collective objectives and goals of macroeconomic and industrial policies to direct the entry bargaining process towards the investment deal. As the Minister notes:

We should have adopted a research and development-led, technology-led industrialisation model during those days. . . . the Turkish economy was managed via monetary policy [i.e. exclusive focus on price stability] over the years. Monetary policy should have been supported by fiscal policy which had to be linked with production [i.e. industrial] policies.

Unsurprisingly, the Turkish state’s behaviour was not guided by strong FDI-related policies and ideas during the entry bargaining. In this environment, the state’s administrative capacity was further constrained by the limited fiscal capacity where the public debt burden was about 75 per cent of gross domestic product at end-2004. As the Economist Intelligence Unit (2005: 9) noted: ‘Under a new IMF-backed programme the government will have to agree to maintain ambitious fiscal targets, particularly the public-sector primary surplus (i.e. the public-sector balance less interest payments on government debt)’. As such, the state had limited fiscal capacity and policy autonomy. The key state actors which implemented the IMF agreement were the Treasury and Ministry of Finance. Specifically, the Treasury opposed the incentives requested by HMC, whilst the Ministry of Finance resisted the provision of land due to Turkey’s dependence on IMF support and their bureaucratic commitments to the IMF. In the words of the Minister, the Treasury said that:

when we declared those 49 provinces in Law no. 5084, we reached a very difficult agreement with the IMF and World Bank. Thus, we could not declare the desired land as an incentive region and we could not offer investment discounts. I was embarrassed...

On 20 December 2005, the State Minister responsible from the Treasury made a public statement that: ‘[w]e gave promises to the IMF, and we cannot proceed against them. At the moment we cannot provide special investment incentives to Hyundai’ (cited in Baysal 2005).

The IMF agreement contributed to a weak relational foundation that exacerbated the state-led steering of the entry bargaining process towards an investment deal. In the words of the Minister:

We were constrained by the current legislation and obstacles put forward by bureaucrats who acted in-line with the IMF and World Bank agreements. They argue that government subsidies
in investment regions contribute to our budget deficits [such as] 50 per cent discount in energy, free land, tax holiday for three to five years, and exemption from corporate tax, etc. We could not overcome this bureaucratic obstacle. To do so, you should be [financially] strong. Today, we could have overcome a similar bureaucratic resistance. Why? We paid our debt in full to the IMF [and run a primary surplus]. We no longer depend [on the IMF].

In summary, elected Turkish politicians were helpless in tailoring firm-specific investment incentives for domestic and foreign industrialists due to the pressure of unelected IMF officers (for an anecdotal evidence, see also Munyar 2006). In January 2006, it became public that HMC had sent a letter to the Minister indicating that the Czech Republic was a preferred location for the investment. Apparently, when state officials bargain under the IMF conditionality, they may face a greater incentive to adopt uncompromising bargaining position with MNCs that may result in bargaining breakdowns.

Conclusions

The primary focus of this article was to examine the entry bargaining process and its outcome. Drawing on evidence from the HMC case study and by integrating relevant perspectives from the IB, IPE, CPP and economic geography literatures, this study argues that the outcome of this governance process is a function of state capacity that has interrelated administrative and institutional dimensions.

This article contributes to the IB, IPE, CPP and economic geography literatures on both bargaining interactions and the role of state capacity in domestic policy-making. Very little attention has been paid to date to the role that state capacity plays in entry bargaining processes and how decisions not to invest are explained. The focus instead has been on how the relative bargaining powers of the parties can influence the terms of investment agreements, and how bilateral or multilateral agreements offer protection and bargaining leverage to mobile MNCs vis-à-vis immobile HSs in a globalising world economy. Thus, the governance of entry bargaining processes by state has been overlooked in the past. However, this article highlights the need to devote greater analytical attention to links between state capacity and bargaining outcomes. In doing so, this article contributes to previous research on bargaining models and state-centric governance models. Unlike previous research on bargaining models, which has been static, investment outcome-oriented and MNC-centric, this article offers a dynamic, process-based and state-centric bargaining model. In doing so, it complements recent empirical research on state capacity in bargaining interactions (Bakir 2011) on two grounds. First, it shows causal mechanisms that operate in the mobilisation, conflict and resolution phases of the entry bargaining process in Turkey. Second, it shows that previous theoretical prediction that investment outcome is a function of state capacity is not idiosyncratic to the Czech state and HMC bargaining. Thus, it offers an alternative explanation that moves beyond conventional explanations of MNC investment decisions in IB literature that focuses on country-specific locational advantages such as infrastructure, industry clusters...
and proximity to target markets (see for example, Akcaoglu and Erol 2011). Further, the HMC case contributes to previous research on bargaining relations inside HSs, and between HSs and MNCs (Encarnation and Wells 1985). It demonstrates that the portfolio of organisational responses available to states and their successful implementation is a function of state capacity. Specifically, the Turkish state initially departed from its general approach (that is, reliance on rules) and adopted a special bargaining arrangement for HMC investment: it formed an ad hoc coordinating committee led by the Minister. The aim was to resolve anticipated conflicts in internal bargaining amongst public-sector actors arising from a fragmented administrative structure. This committee proposed customised incentives and desired-land-for-free that would overcome the constraints originating from formal and informal institutions of the investment regime. However, the Ministry of Finance and the State Ministry responsible for the Treasury acted inconsistently with the initial proposal, made by the coordinating committee to HMC. They strongly resisted this proposal due to Turkey’s dependence on the IMF financial support and their bureaucratic mandate to implement the IMF agreement. The state had weak capacity to resolve these conflicts inside the state apparatus. The result was HMC’s withdrawal from the bargaining.

This article yields several implications for research and theory. It suggests that investment outcomes are least likely when developing country states have weak capacities to set strategic directions to allocate administrative and institutional resources, and to steer various public- and private-sector actors to deliver investment decisions. Thus it challenges those analyses that suggest minor formal bargaining interactions and residual roles for states in developing countries to host inward FDI. It also provides new insights into the centrality of states in entry bargaining and investment promotion strategies. Further, it refines administrative and institutional capacity concepts as the key interrelated dimensions of state capacity. In doing so, it shows their utility in the governance of entry bargaining.

Although the IB, IPE, CPP and economic geography literatures have made significant advances in recent years in state and business relations, little has been done to integrate these growing streams of literature in the context of the governance of entry bargaining. The study of state capacity in entry bargaining suggests the need for scholars to be open to the study of state capacity and entry bargaining processes. In so doing, IB, IPE and economic geography scholars can learn from scholars of CPP who have focused much of their analyses on governance as a theory of state capacity (Pierre and Peters 2000; Peters and Pierre 2006; Goetz 2008; Bakir 2009; Bell and Hindmoor 2009), while CPP scholars can learn from scholars of IB and IPE who have devoted much of their attention on entry bargaining (Boddewyn 1988; Behrman and Grosse 1990; Grosse 2005), and bilateral or multilateral negotiations in trade, finance and investment (Putnam 1988; Odell 2000; Heron 2011), respectively.

Politicians and bureaucrats can also draw insight from this study. They should align the state capacity with the evolving state-business relations in a globalising world economy. They should avoid adopting several negotiating approaches simultaneously during entry bargaining. Instead, it would be better for them to carefully consider enhancing the state capacity to form and implement the most appropriate organisational arrangements and procedures for various investors.
Notes

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2. The Czech state benefited significantly from the EU’s regional support programmes with special incentives for investment and job creation which corresponded to 15 per cent of the total HMC investment (Bakir 2011: 355).
3. The farming cooperative and six landowners had no interest in selling land requested by HMC. The Czech state’s threat of land expropriation over these opponents resolved the conflict and contributed significantly to investment outcome (Bakir 2011: 356–8).
4. State industry vision informed the Czech FDI regime and guided the state behaviour (Bakir 2011: 351–53).
5. Interview, Former Minister of Industry and Trade, Ankara, 11 April 2013 (my emphasis).
6. Figures and information on what HMC officially offered to and requested from the Turkish government are based on an official letter and its annex which were supplied to the author on the condition of anonymity.
7. Interview, the Head of Investment Promotion Agency in Turkey, Istanbul, 29 May 2010.
8. Ministries included Ministries of Finance, Industry and Trade, Transportation, Forests, Energy and Natural Resources. The three bureaucratic agencies were Undersecretariats of Treasury, Foreign Trade and Privatisation Board.
9. Interview, the Head of Investment Promotion Agency in Turkey, Istanbul, 29 May 2010.
10. Interview, Former Minister of Industry and Trade, Ankara, 11 April 2013.
11. Interview, the Head of Investment Promotion Agency in Turkey, Istanbul, 29 May 2010.
12. Interview, Former Minister of Industry and Trade, Ankara, 11 April 2013.
15. Interview, Former Minister of Industry and Trade, Ankara, 11 April 2013.
17. Interview, Deputy Director of Incentive Implementation and Foreign Capital General Directorate at Ministry of Economy, Ankara, 5 April 2013. My emphasis.
19. Interview, Deputy Director of Incentive Implementation and Foreign Capital General Directorate at Ministry of Economy, Ankara, 5 April 2013. My emphasis.
22. Interview, Deputy Director of Incentive Implementation and Foreign Capital General Directorate at Ministry of Economy, Ankara, 5 April 2013. My emphasis.
23. Interview, Deputy Director of Incentive Implementation and Foreign Capital General Directorate at Ministry of Economy, Ankara, 5 April 2013. My emphasis.

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Yerel sanayi ve bugünkü Türkiye'nin dünyası

Ayse Buğra - Osman Savaşan*

Birlikte, bu temalardan yola çıkarak, ekonominin faaliyetin mekaniksal yapısının, Anadolu sermayesiyle güçlenen eski metropolilerin konumu ve devleti işleyen siyaseti arasındaki ilişkisinin nasıl biçimlendiği ve iş dünyasının değiştiği ortada ortaya çıkan ve örgütü stratejikleriyle İslami referanslar advocates için önemli bir dönüşüm ve olaydır. Ülkenin özünde, birbirinle bağlılığı, bu dizi soru soracaktır. Yazarın birinci bölümü, her iki sanayi sektörünün coğrafî dağılımını içerecek şekilde sürdüreni manşetlerdir. Bu bölüm, aynı bakış açısıyla sanayi sanayi sektörünün belirleyici rolüne ve devletle işleyen Türkiye'yi altında durduğu için, sanayi sektörünün bu konulara arka plan oluşturacak. İkinci bölüm, devletin iş dünyasında oynadığı rolün ve devletle işleyen sanayi sektörünün ilişkisinin bu konularda nitelemini ele alıyor. 

Yerel sanayi ve Türkiye ekonomisi

1980 sonrasında dünya ekonomisinde görülen bazı değişimler Türkiye'de de yansıtmış oldu. Bu değişimlerin en önemli olanı, üretimin örgütlenmiş olarak geliştirilmesi, büyük şirketler, üretim mix kendi kumusal çalışmalar içinde gerçekleştirilerek yerine, üretimin farklı ağaç mardı olup bu noktadan sonra birbirlerine ait olan anaşılara gerçekleştirilmiştir.4

4 Bu bölümde, bire aktarım AŞKON (Anadolu Adaletini (Anadolu Adaletini Türkçesi) ve MÜSİAD (Müslüman Sanayici) tarafından belirtilmiştir. Bu, devletin ve birbirleriyle ilişkileri arasındaki ilişkiyi, görülen bir dönüşümle birlikte detaylar vermektedir.

5 Bu çalışmalar arasında özellikle bkz. Şevket Pamuk, "Globalization, Industrialization and Changing Politics in Turkey.

6 Alper Kuruğan ve İnan Tatoris, "Anatolian Tigers: Are They For Real?" ve Mustafa Sönmez, "2001'ler Türkçesinde AKP, Hakim Sıfılar veleccion,"
kötünetin desteklemek istedigi yeni filizlenen giảnaçlarının çogu zaman bu kayk bir altıyla veya enerji yetimini, birkaç isima hombre, kendisi basına üstlencècek kapastasede olmasakları ama yattarın belirli olarak okunacak katlıt-harp giriş sağlayabilecekleri düşünülmede, teşer'in seçimine mühahale konusunun onemi daha iyi görülebileb. Muallsel bu alanadaki uygulamaların önemleri teartsına elverişli verilerde sahip değil. Gene de mevzuunun nisil iğilebileceğini görmekte anlamlı.

Ulusal dişdizeyek bir kamu bialıtlerinin yanı sıra, yerele yönetimlerdiye adet devleti de devletin ekonomideki rolünün olmum 록an önemli olduğunu görünüyor. Toplam kamu sahibi servaye yattarların arasında yerele yönetimlerin çok 1990'larda yılın lancı iarcasından itibaren yükseldikleri 2008 yılında de 38.3'চঁ কোষ দুরুম। 18 Bunun yanı sıra, Temmuz 2005 tarihli ve 5393 sayılı Belde ve Belediyeleri Kanunu, inan, su ve kanalizasyon, ulaşım, kentsel alt yapı alanlarında ve geleneksel belediye hizmetlerindeki yetki ve sorumlulukların yanı sıra, belediyelere özel sektör kuruluşlarından hizmet alma yöntemiyle banka hizmetlerinin ve sosyal yardımı faaliyetlerinin sürdürlenmesinde onlarla birlikte rol almanın zorunluluğunu 198 bulunuyor. Bu bağlamda, çeşitli sosyal hizmetlerin özel sektörde sağlanması ve özel sektörün aynı ardından dağınık malların tedarik, sağlanması, depolama ve dağıtım sistelederlerden işi alması mümkün oluyor. Okul ve hastaneler gibi kamu kuruluşlarının inanmamızı da özel sektör kuruluşlarından hizmet alabilmenin

Belediyelerin yeteriğini öğrenen bu kanunun getirdiği önemli yeterliliklerden birisi de, Ticaret Kanunu'na göre kurulun belediye şirketlerine Belediyalar Kanunu'na atf yapımı. Ticaret Kanunu'na göre faaliyetlerinin sürdürlüğünü ve sa lifaları özellikle büyükşehir belediyelerinin kurulmasına hızlı bir biçimden artan belediye şirketleri kamu kurumlarının uygulanma denetim ve düzenlemeleri de muall. Ayrıca, Kanın İlcalı Kanununa'nda yapılan değişikliklerle belediyelerin ortaklık yapınının yönünde 30'ın altında olduğu belediye şirketleri, Kanın İlcalı Kanuna kapsamazları çıkarım durumdadır. 18 Temmuz 2004'te yürürlüğe giren 5216 sayılı Büyük Sehir Belediyeleri Kanunu ise, büyük sehir belediyelerinin merkez yönetiminin bazı yeterliliklerini kullanı bilecek durumda geldiklerini bize gösteriyor. 19 Bu belediyelerde sadece altyapı yaratılmakla değil, korumaları, volları veya ilanların tümü ve hakkında aktıl hale getirilecek bu alanlarda özel sektörun yapıtı açığı yarattıyorlar. Kanıya yolların Genel Müdurlüğünde bu belediye şirketleri arasında yapılan protokol...

12 Kamuологии Kanunu, Kanun no. 4734, Resmi Gazete, tarihli: 22.01.2002, 24648. Kanun, özel-

13 Meleka, bkz. European Commission, Turkey 2009 Progress Report, s. 45-46.
14 Sadettin Doğanay, Asılabi, İstanbul, İktisat Yayınları, 2009, s. 416-424.
Yerel sanayi ve bugünkü türk çeyzinde eş dünyası


23 Milliyet, 10.06.2008.

24 Ayşe Bugra, Devlet ve işadamları (İstanbul: İletişim, 2008, 8.baskı, 1.baskı 1999) çev. Fikret Adaıan.

25 ATV-Sabah ihsanlı kazanın Ahmet Çalkın’ın ibadette olduğu odada iptal edildi ki, Atatürk’ün Biyografisindeki ve Ekosistemlerindeki işlerine ait olmak üzere özel sektörün profesyonel güçlerini güçlendirmesine de iktidar當地, daha çok bir birim olarak düşünülmektedir.

20 Ancak da genel olarak, üst düzey bölgeler, İstanbul Büyükelçisi Belediyede’nin bilişsel ka-

nusu projeleri yöneticileri için yetenek teknik bilgisi ve insan gücüne sahip olmak, ailede ettiler. Öte yandan, bazı bölgelerin ise iki projenin de birıkacağı bir ilimli ve kapsamlı, projelerin mer-

kezi yönetiminin herhangi bir supercikile restaurasyon için gereken olayları gittirdi.

21 Belediye Kanunu 69. madde

Anadolu girişimcileri ve girişimci örgütleri

Merkezi devletle ilişkiler içinde yaratılan olan yeni büyük bir-durationun devletle ilişkilerini girişimci örgütlerinin aracılığıyla olmaksızın yurtdıraçecelik konumda olduğu söylenebilir. Yine de bu örgütler, iş dünyasının büyük niteliğini ve politik ikitsi ortamını tanımlayan önemli aktörler olarak ortaya çıkıyorlar. Bu bağlamda, devlet-i dinemde gelişen büyük sermaye kesimini düşünce kalan ve bu büyük AKP hükümetin hafız içinde yer aldığı alanların dışında osobanın toplumları temsil eden üç yeni güçlü girişimci kuruluşu, MÜSİAD, ASKON ve TUSKON önem kazandı. Öte yandan, yukarıda deindirildiği gibi, bu üç anadolu kuruluşunun iş dünyasında yatan ve etkilediği alanlar da olduğu söylenebilir. Örneğin, Ethem Sancak ve Ahmet Çakın TUSİAD’ın ötesindeki hâlimiz her yana.


MÜSİAD’ın iddiası ise, devletle büyük işadamları arasındaki ilişki içinde tarihî olarak olma işlemi olan gizli sosyal örgütlenmiştir. Bu, yerel sermayeye ve KO'Ilere işgildiren bir iddialı ama sadece bununla sınırlı değil. MÜSİAD, TUSİAD gibi bir snif örgüt olarak, alternatif bir snif projesiyle ortaya çıkmış. Bu, dünya doygu dönüş bir proje oluyor. Her ne kadar MÜSİAD’ın "Müşäh" kelimesiyle ilgili de, bunun "Müslüman"’ın "M"syle karşılaştırmak pek kolay olsaydı ve bu karşılık tabi taba ilişkiler içinde iş yarati- gi olmazda üzerinde durulmuş, ama 28 Şubat mıafarihesini izleyen geniş bir ger- lerek bu bir ortanda "Biz tabii ki kendimiz Müslüman diyememiyoruz, zaten hepiniz Müslüman değil miyiz?" şeklinde sözler verdiler. Kısacası, İslamı kapita- leme bağlamakça fikirleri reddettiler ve İslamı ekonomi analığıyla "Do-ğa Asya" modelinin borsamızı tayşçısı olanlarla da görüşmelerde bulunuyorlar. Her ne kadar İslamı zakli ve rehabetçi piyasa ekonomisi vurgusunu, belki de en belirleyici olduğu devlet miyариhesinin önemini olan Doğu Asya modeliyle bağ-asmaşma epeyce zor olmaz, bu durum, her iki devolu modelde de kültür ve değerlerin ekonomik önemine atf yazılmış ziyaret edildiiboşluğuyor27

Zaman içinde, tâkım olarak AKP’nin Türkiye’nin Avrupa Birliğiyle ilişkisi olarak karşılık çıkmaktan vazgeçmişlyor birlikte, MÜSİAD’ın sınıf projisinin Batı karşılaştırılabilir durumu da yarıştırlar. MÜSİAD’ın yetenekleri de, AB’in Türkiye’deki demokratiklemesin, özellikle de "İnanc özgürlüğü" olarak, önemini açılmaksızın olumlu bir rol oynamakla yolunda görev verenlerin siyasi hâlimiz her yana. Burada bir konuşma, Türkiye’teki bir burjuva örgüt olmak fikrinin hâlâ MÜSİAD içinde bir rahatsız edici, örgütün snif stratejisinin hâlâ kapitalist burjuva demokrasisi fikri- nin dışında referans ararka ölümden geçen işaretler de yok değil.28 Ama bu araları, başka bir maliyetin konusunu oluşturuyor.

Bu örgüt stratejisi de İslam ile referanslar arasında yeter iki önemli dönüm noktası 1998’de kuruldu. Örgütün 14 kuruluşun arasında MÜSİAD nes- leleri de bulunmaktaydı.29 Bu gelenğin İslamı Milli Güç hâkimiyetindeki, AKP’nin kurumları ve Saadet Partisi’nin buyrunun bir yiyiyle bağlayıcı olan sü- yüzine çıkan bir yiyiyle Byrne için amplifier biriciklerini biliyor. Bu, 12 sınıf ve devletin içinde öyös olan (Tablo VIII, KOBI) ve belirleyici birikim süperlerinde 1990’ların sonlarına doğru olarak öyle olan (Tablo VIII, KOBI) ve belirleyici birikim süperlerinde 1990’lannın altından sonra 2005 yılında kurulan TUSİAD’unkâda kadar yalan değil. Buna karşılık, gururlaştırmayı ASKON temsilcileri, Saadet Partisi’nin etrafındakiliği无关 ile örgütünün İslamı niteliğini STK’ları (Sivil toplum Kuruluşları) biz-

26 Ayşe Buğra, “Devlet ve İşadamları.”


29 Boreka, MÜSİAD’ın kurucu başkanı Erol Yar'ın Star gazetesinde (20.07.2009) yer alan “Asıl Büyük Burjuva İlişkileri” MÜSİAD’ın yönelticisi tarafından benzeri birlikte hazırlığa koyuldu, daha sonraki hâline gelmiş birlikte, MÜSİAD’ın yönelticisi tarafından benzeri birlikte hazırlığa koyuldu. AKP’nin Türkiye’ye Katlamanın Belgenin bir kolu ile ilgili görüştürmek için “Hâl-i Muhammed-i Millî’nin Kullanımı Alın Öne Olunmuyor.” Refe-

ranya getiren TGTV (Türkiye Gönüllü Teşekkûrlerinden VakaT) içinde yer almışın i iş bağlanışının kurum açısından önemli olduğunu söylerdi. Ancak, şirketlerin gelişmesini açısından bu "güçü açı" bağlanışlarının daha geniş bir alan yayan "zayıf" bağlanışlar kadar etkili olmadığını da ifade etti.35 ASKON, nispeten içine kapalı bir grubun içindeki karşılıklı dayanışmasına ilişkinleri zemin hazırlayan bir örgüt ortamında, ASKON gibi TGTV tayini olan MÜSİAD'ın ise, tyelerinin sağladığı işi ağlarını üzerinden, ikidarla sağlanımları olursa ve üyesinin kataların doğrultusunda hazırlık nezdinde "başka grubu" işlevi gören bir sınıf örgütü olarak ortaya çıkıçına söyleyen münken.

Fethullah Gülen cemaatinin i grupçılığı i örgütü olarak bilinen TUSKON, TGTV tayini dahi. örgüt stratejisi içinde de İslam referansları, milletçili söyleme göre geri planda kalmabiliyor ve Müslümanlık kendi içinde tanımlayıcı unsur olmaktan çok Türk milletçiliğinin önemli bir öğesi olarak ortaya çıkıyor. TUSKON'ün ne olduğu TUSİAD veya MÜSİAD gibi bir sınıf örgüt olduğu, ne olduğu daha geniş bir siyasi hareketin parçası olduğu diğer ikisi sınıf örgütünün farklılığını sorusunu da, başka bir bağlamda Почему üzerinde durulmuş gerek bir soru. 2005 yılında, AKP iktidarında dönemde kurulan Konfederasyonun, yedi bölgesel federasyona bağlı 150 kuruluşu denetimi ve bu dacludinge 15.000 üye tansell etki iksüren 2007'de, 60.000'den 2009'da 13.500 üyede ziyade daha artmış. 36 Ama amına 146 üyesini de denenecek 68'ine de artmış. Bu üyesinin sayısı 7.009 (Tablo IX). Hem iye siyasetin olayını hem de iktidarın işine girdi ve açıklar gibi işlerin alınması için programını açıklar. Dolarıya, TUSKON'un yerelde önemli bir varlık gösterdiği söyleminin yanı sıra olanaçlık kastında olmakla beraber, iye kompozisyonunun hâlden bir ekonomik arzuğu teklif ettiğini görmemiz mümkün olmasına dairıyanız.

TUSKON açığa kılan dur değişikliklerin yerel KOBI'lerin para zar bulma ve girdi sağlama amaçlarına hizmet edebilmesi, örgütün yereldeki konumunu güçlendiren unsurlardan biri. Özellikle Kuzey Amerika ve Avrupa'da dün eğlenceler kurulan dur değişiklikler, TUSKON'un önemli bir faaliyet alanı olduğunu ve bu alanuna da konferansiyonun gücü bir hazırlık nezdinde sağlı olduğu görüldü.37 Konfederasyonun Türkiye İhracatçılarda

37 Zaman, 05.03.2007 ve Hebertürk, 29.06.2009 gazeteleri.
39 TUSKON'un organize ettiği fuarlar ve yöndi dejarılerine bağlı bazı baskanın olmak üzere hâli-


ASKON yletkilerinden aldığımız bilgilerre göre, örgütün en büyük 500 şirket arasında İstanbul merkezli iki üyesi var (Tablo XII).AMA bu yletkiler gibi, aynı listede adıların açıklanmasının istenmemişi üç nüe daha bulunuyor. Ayrıca şekilde, gene adıların açıklanmasının istenmek 2 ASKON üyesi de bırakırken ikinci sıradaki 500 büyük şirket içinde 7 ASKON'a iye firma bulunuyor. Liste de isminin açıklanmasının ise 5 ve firmanın 9'ta ise İstanbul'da bulunuyor (Tablo XII).


Muhafaza altı yerel bürokrasyla ilgili kategorik saptamaların ötesine geçilme sırlığına işaret ederken dikkat çekilmesi yarar olduğunu başka bir nokia da, yeni yerel merkezlerin iş dünyası içinde etkili olan girisiimi örgütün

Katılımsızı gibi görmek. Başka bir deyişle, yerel sanayinin ve Anadolu burjuvazisinin gelişmesinin, ulusal düzeydeki gelişmelerle ilişkilendirmesi önemlidir.

Sanayi üretiliminin coğrafi dağılımdaki değişimlerin ekonomik açıdan önem taşıdığını, ama çeşitli araçturmaları dikkat çekicileri gibi, bunu fazla abartmamaya, özellikle de eski metropolilerin enine geniş deedekehrıklık abartmamaya zevi gösterilmesi gerektiğini de yakut. Bu yüzden, sadece ekonomik değil siyasi analiz açısından da önemlidir. Yerel sanayinin devletle işlenmiş arasındaki ilişkisinin yeniden düşünülmesi ve biçimlendirilmesi rolüne bakarken, yeni temayül eden büyük işlenmişlerin sarmaya birkaç sürelerinin coğurulukla pek de yerel ekonomi düzeyinde cöyreyen eden süreçler olmadığını, bu işlenmişlerin yerel yönetimlerden çekmek desi de ilişkiler içinde, yerdelen deji merkezde güçlü olduklarını görmek gerekiyor.


### TABLO I
**Eski ve Yeni Sanayi Merkezlerinde Üçlü İşlet Sanayi Toplam Katma Değer (%)**

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<td>3,00</td>
<td>3,20</td>
<td>4,20</td>
<td>5,10</td>
</tr>
<tr>
<td>İzmir</td>
<td>12,00</td>
<td>9,50</td>
<td>10,70</td>
<td>8,40</td>
</tr>
<tr>
<td>Bursa</td>
<td>7,00</td>
<td>8,10</td>
<td>7,80</td>
<td>9,30</td>
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<tr>
<td>Adana</td>
<td>5,00</td>
<td>4,60</td>
<td>3,40</td>
<td>2,80</td>
</tr>
<tr>
<td>Toplam</td>
<td>80,00</td>
<td>74,70</td>
<td>70,10</td>
<td>66,00</td>
</tr>
<tr>
<td>Denizli</td>
<td>0,80</td>
<td>0,90</td>
<td>2,00</td>
<td>2,40</td>
</tr>
<tr>
<td>Kayseri</td>
<td>1,20</td>
<td>1,30</td>
<td>1,70</td>
<td>2,40</td>
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<tr>
<td>Gaziantep</td>
<td>0,60</td>
<td>0,70</td>
<td>1,10</td>
<td>1,90</td>
</tr>
<tr>
<td>Konya</td>
<td>0,90</td>
<td>0,60</td>
<td>1,01</td>
<td>1,50</td>
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<td>0,40</td>
<td>0,50</td>
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<tr>
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<td>3,55</td>
<td>3,70</td>
<td>6,10</td>
<td>8,90</td>
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</tbody>
</table>


### TABLO II
**Eski ve Yeni Sanayi Merkezlerinde Toplam İhracat (%)**

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<tr>
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<th>1996</th>
<th>2000</th>
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</tr>
</thead>
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<tr>
<td>İstanbul-Kocaeli</td>
<td>51,8</td>
<td>52,8</td>
<td>61,9</td>
</tr>
<tr>
<td>Ankara</td>
<td>1,60</td>
<td>1,50</td>
<td>4,0</td>
</tr>
<tr>
<td>İzmir</td>
<td>18,7</td>
<td>18,40</td>
<td>5,9</td>
</tr>
<tr>
<td>Bursa</td>
<td>4,50</td>
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<tr>
<td>Adana</td>
<td>1,70</td>
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<td>0,009</td>
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<td>Toplam</td>
<td>78,30</td>
<td>80,75</td>
<td>80,20</td>
</tr>
<tr>
<td>Kayseri</td>
<td>0,80</td>
<td>0,80</td>
<td>0,9</td>
</tr>
<tr>
<td>Denizli</td>
<td>0,3</td>
<td>1,00</td>
<td>1,70</td>
</tr>
<tr>
<td>Konya</td>
<td>0,40</td>
<td>0,20</td>
<td>0,70</td>
</tr>
<tr>
<td>Gaziantep</td>
<td>0,90</td>
<td>1,30</td>
<td>2,50</td>
</tr>
<tr>
<td>Kahramanmaraş</td>
<td>0,055</td>
<td>0,10</td>
<td>0,30</td>
</tr>
<tr>
<td>Toplam</td>
<td>2,95</td>
<td>3,40</td>
<td>6,10</td>
</tr>
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</table>


### YEREL SANAYI VE BUGÜNÜN TÜRKİYE'İNDE İŞ DÜRÜŞÜ

### TABLO III
**İstanbul Sanayi Odası, Türkiye'nin İlk 500 Büyük Sanayi Kuruluşu Arasından**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
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<td>İstanbul-Kocaeli</td>
<td>259</td>
<td>244</td>
<td>246</td>
<td>243</td>
<td>255</td>
</tr>
<tr>
<td>Ankara</td>
<td>27</td>
<td>23</td>
<td>22</td>
<td>31</td>
<td>27</td>
</tr>
<tr>
<td>İzmir</td>
<td>59</td>
<td>49</td>
<td>59</td>
<td>51</td>
<td>36</td>
</tr>
<tr>
<td>Bursa</td>
<td>21</td>
<td>19</td>
<td>24</td>
<td>27</td>
<td>31</td>
</tr>
<tr>
<td>Adana</td>
<td>19</td>
<td>18</td>
<td>13</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>Denizli</td>
<td>5</td>
<td>4</td>
<td>12</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Kayseri</td>
<td>9</td>
<td>8</td>
<td>13</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>Gaziantep</td>
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<td>4</td>
<td>8</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Konya</td>
<td>0</td>
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<td>4</td>
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<td>7</td>
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<tr>
<td>Kahramanmaraş</td>
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<td>6</td>
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<td>2</td>
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</table>


### TABLO IV
**İstanbul Sanayi Odası, Türkiye'nin İkinci 500 Büyük Sanayi Kuruluşu Arasından**

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>İstanbul-Kocaeli</td>
<td>181</td>
<td>297</td>
<td>282</td>
<td>229</td>
</tr>
<tr>
<td>Ankara</td>
<td>10</td>
<td>14</td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td>İzmir</td>
<td>31</td>
<td>58</td>
<td>45</td>
<td>50</td>
</tr>
<tr>
<td>Bursa</td>
<td>7</td>
<td>16</td>
<td>18</td>
<td>33</td>
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<tr>
<td>Adana</td>
<td>7</td>
<td>4</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Denizli</td>
<td>4</td>
<td>12</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>Kayseri</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>Gaziantep</td>
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<td>8</td>
<td>8</td>
<td>21</td>
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<td>Konya</td>
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<td>6</td>
<td>5</td>
<td>13</td>
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<tr>
<td>Kahramanmaraş</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>8</td>
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### TABLO V

<table>
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<th></th>
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<tbody>
<tr>
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<td>26,2</td>
</tr>
<tr>
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<td>8,7</td>
<td>7,9</td>
<td>7,5</td>
</tr>
<tr>
<td>İzmir</td>
<td>7,8</td>
<td>7,6</td>
<td>8,0</td>
</tr>
<tr>
<td>Bursa</td>
<td>3,7</td>
<td>4,0</td>
<td>4,2</td>
</tr>
<tr>
<td>Adana</td>
<td>3,5</td>
<td>3,6</td>
<td>3,4</td>
</tr>
<tr>
<td>Toplam</td>
<td>48,8</td>
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<td>49,1</td>
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### TABLO VI

<table>
<thead>
<tr>
<th>AKP döneminde Yükseklik Bazı Sermaye Grupları, Faaliyet Güçlendirici Sektörler, Devlet ve İşadamları Bükümlerin Ortaya Çıkığı Alanlar</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AKP döneminde yükseklik bazı sermaye grupları ve şirketleri</strong></td>
</tr>
</tbody>
</table>

¹ Çalık Holding

### Etisem Sancak

<table>
<thead>
<tr>
<th><strong>İşverenlik</strong></th>
<th><strong>Hizmet Alım</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>İşverenlik</strong></td>
<td><strong>Hizmet Alım</strong></td>
</tr>
</tbody>
</table>

### Cihan Kamer

<table>
<thead>
<tr>
<th><strong>Hizmet Alım</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>İşverenlik</strong></td>
</tr>
</tbody>
</table>

1. Başbakanın damadı Barat Albayrak'ın CEO olduğu Çalık Holding, ATİ-Sabah şirketinin.localizedDescription of a problem that exists in the energy sector, it was the developer of the project that involved the implementation of the Çalık Group. It is a project that involves the expansion of the Çalık Group's interests in the energy sector, has been in operation since 2004.


### TABLE VI (devamı)

<table>
<thead>
<tr>
<th><strong>AKP döneminde</strong></th>
<th><strong>Sermaye gruplarının faaliyet gösterdiği sektörler</strong></th>
<th><strong>AKP döneminde devlet-İşadamı</strong></th>
<th><strong>Sermaye gruplarının faaliyet gösterdiği sektörler</strong></th>
<th><strong>AKP döneminde devlet-İşadamı</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>YOKELSANAYI VE BİLGİNİN TÖRKÜYENİSİNDE İŞ DÖNYAİ</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fettah Tamıcın5</td>
<td>Turizm, İnşaat, Medya (Star Gazetesi ve Kanal 24 ortaklığı)</td>
<td>Hümet Alım: Rica Psycho Otelciliklerin kamu toplantıları için hizmet alınıp İstanbul Kongre Vakfı (2008)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


2 Akın İpek’in de Gülen cemaatine yakınılığını medyada çok yer alıyor. Bu konuda kendisi ile yaptığı iktisadi katkıda bulunuyor. 

### TABLO VII
MÜSİAD Üyelerinin Coğrafi Dağılımı (2009)

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<td>Şanlıurfa</td>
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Kaynak: MÜSİAD tarafından sağlanmıştır.

### TABLO VIII
ASKON Üyelerinin Coğrafi Dağılımı (2009)

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Kaynak: ASKON tarafından sağlanmıştır.

### TABLO IX
TUSKON’a Bağlı Dernek Üyelerinin Coğrafi Dağılımı

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Kaynak: www.tuskon.org.tr/Enform Tabliti, 11.04.2010
### YEREL SANAYİ VE BUGÜNÜN TÜRKİYE'İ'NDE IŞ DÜNYASI

#### TABLO X

<table>
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**Kaynak:** MÜSİAD tarafından sağlanmıştır.

### YEREL SANAYİ VE BUGÜNÜN TÜRKİYE'İ'NDE IŞ DÜNYASI

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**Kaynak:** MÜSİAD tarafından sağlanmıştır.
### TABLO XII
Istanbul Sanayi Odası, Türkiye’nin İlk 500 Sanayi Kuruluşu Listesi’nde Yer Alan ASKON Üyesi Firmaları (2008)

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Kaynak: ASKON tarafından sağlanmıştır.

### TABLO XIII
Istanbul Sanayi Odası, Türkiye’nin İlk 500 Sanayi Kuruluşu Listesi’nde Yer Alan ASKON Üyesi Firmaları (2008)

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<thead>
<tr>
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<th>Firma</th>
<th>İl</th>
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<td>Özel Türk Kimya Endüstrisi</td>
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<td>Plastifey Kırka Sanayi</td>
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<td>175</td>
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<td>Güvenlik Güvenlik Sanayi ve Ticaret</td>
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Kaynak: ASKON tarafından sağlanmıştır.

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Gazete Haberleri


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Internet Sayıları


Onis, Ziya; Senses, Fikret

Working Paper

Global Dynamics, Domestic Coalitions and a Reactive State: Major Policy Shifts in Post-War Turkish Economic Development

Discussion Paper, Turkish Economic Association, No. 2007/7

Provided in Cooperation with:
Turkish Economic Association, Ankara

Suggested Citation: Onis, Ziya; Senses, Fikret (2007) : Global Dynamics, Domestic Coalitions and a Reactive State: Major Policy Shifts in Post-War Turkish Economic Development, Discussion Paper, Turkish Economic Association, No. 2007/7

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GLOBAL DYNAMICS, DOMESTIC COALITIONS
AND A REACTIVE STATE: MAJOR POLICY
SHIFTS IN POST-WAR TURKISH ECONOMIC
DEVELOPMENT

Öniş Ziya and Fikret Şenses

October, 2007
GLOBAL DYNAMICS, DOMESTIC COALITIONS AND A REACTIVE STATE: MAJOR POLICY SHIFTS IN POST-WAR TURKISH ECONOMIC DEVELOPMENT

Ziya Öniş
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Fikret Şenses
Middle East Technical University, Department of Economics, 06531, Ankara, Turkey

Abstract

The main objective of this study is to propose an analytical framework to explain the major policy shifts that has characterized post-war Turkish economic development; divided into four phases, starting respectively in 1950, 1960, 1980, and 2001. Its main contribution is to incorporate external and internal factors into this framework within a broadly political economy perspective, attaching particular significance to the role of economic crises in moving from one phase to the other. While the role of external agents is identified as the main factor behind policy shifts, the role of domestic coalitions in support of policy regime in each phase is also recognized. Drawing attention to the role of state in the impressive recent growth of countries such as China, India, and Ireland, the paper argues that there is still room for the state taking on a developmental role. The paper recommends that Turkey follows a similar path by improving state capacity not only with respect to its regulatory role but also in more developmental spheres, encompassing its redistributive and transformative role on the basis of a domestically-determined industrialization strategy.

Keywords: State capacity, policy transformations, crises, multilateral institutions, distributional conflicts, regulation

1. Introduction

1 This study is a forerunner of work in progress on a book by the authors on the post-war economic development of the Turkish economy. The authors wish that this essay and its Turkish version, which will be produced in due course, will generate constructive debate among students of the Turkish economy.
Turkish economic development in the post-war period has been characterized by significant structural transformation. At the same time, however, one can identify significant continuities such as cycles of populist expansionism, periodic crises and encounters with the IMF as one moves from one major policy phase to the other. The objective of the present study is to propose a conceptual framework for understanding the major policy shifts which have occurred in post-war Turkish economic development, notably in the context of multi-party democracy which represents a major departure from the single party government of the inter-war period. The proposed framework aims to account for this simultaneous mix of structural transformation and underlying continuities. Our central thesis is that Turkey, in the economic realm, represents a case of reactive state behavior. From a comparative perspective, reactive state behavior, which also appears to have characterized the policy stance of major Latin American countries such as Brazil, Mexico and Argentina, differs sharply from the more proactive state strategies aimed at industrial transformation, which seems to characterize the development experiences of key East Asian hyper-growth cases such as Japan, South Korea and Taiwan, and more recently the case of China. Parallel to the notion of the reactive state, our central contention is that the main impetus for policy transformation in Turkey has originated from external dynamics, with key external actors playing a central role in accomplishing the transition from one policy phase to another. There is no doubt that there exist certain limits concerning the ability of external actors or external forces to engineer policy transformation. External dynamics need to be integrated with domestic factors to provide a coherent explanation of major policy shifts. To be more precise, there must be a supporting domestic coalition of actors to render a major policy regime, such as import-substituting model of industrialization (ISI) in the 1960s and the 1970s or the neo-liberalism and market-based development during the 1980s and beyond, the hegemonic policy regime during a specific period. Periodic macroeconomic or financial crises have a particular role to play in our analytical schema in the sense that they signify that a particular policy regime is no longer sustainable and needs to be replaced by a new policy regime. Crises also strengthen the hand of external actors and break down the resistance of key elements of the previous domestic coalition. They also facilitate the emergence of a new domestic coalition favoring the implementation of the new policy regime in line with the overriding impetus provided by the major external actors. Crises also serve the function of breaking-down the distributional stalemate which emerges towards the end of each policy phase, thereby facilitating the transition to a new dominant policy regime.
There is a vast literature on the post-war economic development of Turkey which has greatly enhanced our understanding of its pattern, main phases, as well as the main problems and issues involved.² We build on this stock of knowledge and attempt to cover the whole of the post-war period, by integrating the post-2001 crisis developments into our analysis. By bringing the internal and external factors that have affected economic development and incorporating political developments and the role of economic crises into our proposed analytical framework, we make a modest effort to provide a more comprehensive treatment of the major structural transformations involved in the context of the shifting development discourse.

The analytical framework proposed is discussed in detail in sections 2 and 3. Then, the framework proposed is employed as a basis for explaining the four basic policy regimes that seem to characterize post-war Turkish experience in the era of multi-party democracy from 1950s to the present era in Section 4. Section 4, in effect, represents the substantive empirical component of the paper where the specific linkages between external actors and influences and supporting domestic coalitions are given precise meaning in the context of individual policy epochs. Although our analysis effectively ends with the transition to the latest policy regime in the post-2001 period, we briefly speculate about this period and consider the question of whether a real rupture has taken place, which differentiates this particular phase from earlier phases in the history of Turkish economic policy. In sections 5 and 6, we extend our discussion beyond the specific Turkish experience to the general realm of comparative development performance. Our central message in the present context is that the nature and quality of state intervention continues to be a critical variable in accounting for differences in development performance in the age of neo-liberal globalization, and notably, in terms of differentiating between cases of hyper-growth and moderate growth cases among late-industrializing economies. Section 7 concludes.


“Late development” is a characteristic which is not unique to developing countries in the post-war context. Many countries currently classified in the advanced industrialized country category were confronted with similar problems of catching up with the leading countries of their time.³ France and Germany in the 19th century and Japan in the immediate post-war period are typical cases of currently advanced industrialized countries which have been confronted with the challenge of late industrialization. Recent research reveals that none of the successful cases of late-industrialization, especially during the critical take-off phase of development, were integrated to the world market under free trade conditions. Active state-backed industrialization and the nurturing of a private entrepreneurial class under state protection constituted a critical element of their successful catching up process.⁴ Clearly, the balance between state actors and private business shifts over time and the pendulum swings in favor of powerful private actors as these countries reach a certain level of maturity in their industrialization process. Hence, the fact that states play an exceptionally important role in the process of late industrialization given the fundamental initial weaknesses of a late developing country in terms of its technological, educational and entrepreneurial capacities is a commonly accepted proposition. What is important in the present context, however, is that states themselves can exhibit considerable variation in the process of late industrialization. The very differences in the nature of such states, the mode of their interactions with key elements of their societies can result in significant differences in the nature and quality of state intervention. The natural corollary of this is that such differences tend to produce significant contrast in development performance among individual countries over time.

Our focus in this study is on a specific sub-set of state behavior or mode of intervention in the context of late industrialization. The sub-set of states that we have in mind are the kind of “reactive states”, which tend to be more representative of late development in the context of Turkey or the key countries of Latin America representing a sharp contrast with the pro-active or the developmental states that seem to be a key feature of the East Asian region. At a certain level of abstraction, there is a certain similarity between the experiences of the so-called reactive states and the more strategically-oriented, pro-active developmental states of the East Asian region. In the case of reactive states, one can also discern significant element of interventionism in the direction of correcting market failures both directly through an

³ See Gerschenkron (1962) for a detailed exposition of the concept of late development. For a more recent application of the concept in the East Asian context as well as other national settings see Amsden (1989, 2001).

⁴ See Chang (2002) and Shafaeddin (2005) for details on the industrialization experience of some of these countries and in particular the role of the state in this process.
extensive public enterprise sector, especially in the early stages of development, as well as through indirect intervention in the operation of the market mechanism using a large range of instruments. Perhaps, the central difference between the reactive states and their more pro-active counterparts in East Asia, for example, is that the former are characterized by a much lower degree of “state autonomy”. In other words, reactive states tend to be more fragmented and enjoy a much lower degree of relative autonomy from key domestic constituencies such as the emerging industrialists. Hence, their ability to overcome sectional conflicts and concentrate their attention on longer-term strategic goals such as developing internationally competitive export industries tend to be more limited. Moreover, reactive states tend to move closely with the dominant norms in policy behavior accepted in major centers of international decision making. Reactive state behavior by definition means going along with the acceptable line of policy thinking as opposed to deviating from such norms in certain critical respects.

Our explanations of major policy shifts in late industrializing countries, which display the common characteristic of reactive state behavior are based on the following integrated set of propositions.

**Proposition One: External actors or influences play a disproportionately important role in accounting for major policy shifts.**

There is no doubt that the role of external actors or influences needs to be disaggregated for proper analysis. Take the case of key external actors. This naturally includes the case of the leading or hegemonic power in the international system which in the post-war context has been the United States. There is no doubt that the United States as the global hegemon has played and continues to play a critical role in the case of late developing countries, although its power nowadays is increasingly challenged by a group of countries such as China which are in the process of moving from the “semi-periphery” to the “center” of the international economic system. The United States has exerted its economic influence both directly through economic and military assistance, and also indirectly through key international organizations such as the IMF, the World Bank, the OECD, the WTO and so on-institutions over which it can exercise a disproportionate degree of influence. Moreover, the global hegemon can influence the development trajectories of individual countries not only through its manipulation of material incentives but also through the development of ideas. Dominant thinking on development typically originate from the “center”, in which the academic and
policy making elite in the United States occupy a central position. Powerful ideas on
development then tend to be institutionalized and transmitted to the periphery at particular
moments of time through key international organizations. In the context of neo-liberalism, for
example, strict conditionality of IMF stabilization policies and structural adjustment loans of
the World Bank have been the most effective mechanisms transmitting these ideas to the
developing country context.

Proposition Two: External influences do not refer exclusively to the global hegemon or
to key multilateral organizations. Key regional organizations as well as powerful private
actors also play a critical role.

This proposition assumes particular validity in the European context where the European
Community or more recently the European Union has performed and continues to perform a
central role in transforming the economic and political structures of countries in the European
periphery, notably those countries which enjoy the concrete prospect of EU membership.
Regional dynamics are also operative in other parts of the world, although they are not as
institutionalized and powerful as in the EU context. Regional factors tend to interact with
global forces. Given that Trans-Atlantic interdependence has been the norm in the post-war
period, global and regional forces have tended to move in the same direction and have
generally tended to strengthen the impact of one another. At the same time, the relative
strength of global pressures and regional dynamics have tended to vary over time for
individual countries as well as displaying significant variations across the spectrum of
developing countries. Moving beyond the regional realm, powerful private actors also
constitute a significant external force. The force of private actors has become increasingly
striking over time reaching a peak of its influence in the era of financial globalization. The set
of private actors which has now a major role in the policy process includes not only powerful
transnational corporations (TNCs) investing directly in developing countries but also a large
number of other private foreign investors, often small investors, actively participating in the
capital markets of developing countries. The transnational financial alliance also includes, last
but not the least, international banks and private rating agencies, which regularly monitor the
policy process in individual countries. Through their analysis of the credit-worthiness of
individual countries, such agencies are able to exert a disproportionate impact over the policy
process of individual countries. Aggregating all these elements together, we may be able to
refer to a “transnational power bloc”, which forms the driving force or the central element in
explaining the dominance of particular policies as well as policy shifts over time. The danger
here is that we may exaggerate the degree of unity and coherence of this “transnational power bloc” and, in the process, fail to pay sufficient attention to the possible conflicts of interest between the different segments constituting this power bloc.

**Proposition Three: External Dynamics per se are insufficient to explain major policy shifts. The development of a supportive domestic policy coalition is crucial in this context.**

In spite of the fact that global or regional forces have become increasingly important in accounting for policy shifts over time, the effectiveness of such forces in terms of accomplishing a major shift in policy requires the parallel development of a supportive domestic coalition. In this context we need to make a distinction between the narrowly-based “policy-coalition” of interests which directly benefit from the shift of policy regime and the benefits associated with the newly-instituted policy regime. To give an example, in the case of import-substituting industrialization, the policy coalition included the key bureaucratic agencies such as the planning bureaus which assumed a central importance during the course of implementing the strategy, state enterprise managers, domestically oriented industrialists benefiting from protectionism and other subsidies as well as organized labor employed in key import-substituting sectors. In some cases, for example in the case of Brazil and Mexico, inward-oriented TNCs have become a central element of the ruling ISI policy coalition. Hence, we may talk of a “domestic power bloc” in line with a “transnational power bloc” with the qualification once again that there may be significant tensions or conflicts of interests between the different elements constituting this power bloc. The important point to emphasize is that the emergence of a dominant policy coalition may not be enough in sustaining the policy especially in the context of more open and democratic regimes. Unlike the case of authoritarian regimes, the narrow policy coalitions needs to be extended and enlarged to build successful electoral coalitions to render the policy regime sustainable. To provide a specific example, the narrow ISI policy coalition in a broadly democratic environment (for example, Turkey in the 1960s and the 1970s) had to be enlarged to include agricultural interests and to some extent small and medium sized enterprises, which were not formally part of the ISI coalition. Clearly, the enlargement of the policy coalition creates additional complications which we shall consider in the following section.

5 For an insightful examination of the role of domestic coalition building in Turkish economic development in the 1980s, see Waterbury (1992).
Proposition Four: Transnational actors or “policy entrepreneurs” may play an important conduit role in terms of linking the interests of the transnational and domestic policy coalitions or “power blocs”. The importance of these actors becomes particularly significant in the context of institutionalizing neo-liberal globalization during the more recent era.

In explaining major policy shifts and the institutionalization of the new policy regime, there is a need for an intermediating set of actors, which play a central role in tying the interests of the external and domestic components of the broad transnational coalition and helping to build mutual trust among the key actors involved in the process. Typically, individuals who have been educated in dominant academic establishments and/or have worked in major multilateral financial institutions are typically brought in to leadership positions in their home countries. Striking examples of this phenomenon in the Turkish context include Turgut Özal in the first wave of neo-liberal restructuring in Turkey during the 1980s and “Özal’s princes”, the key American-educated bureaucrats who occupied major positions in the new layers of neo-liberal bureaucracy such as the Privatization Administration, public sector banks and the Central Bank during the same period (Öniş, 2004). The case of Kemal Derviş, at the time serving as a vice president at the World Bank, who was called in to serve as the economic overlord and to head of the “strong economy program” in the aftermath of the 2001 crisis is equally striking. Latin American experiences with neoliberal restructuring are full of examples of critical individuals who have played a similar role between the transnational and domestic policy elites. Perhaps the best-known examples include Domingho Cavallo, the key technocrat who played a central role in instituting the Argentine neo-liberal program, and notably the convertibility plan, of the 1990s; Pedro Aspe who was a central figure in Mexican neo-liberal restructuring, and finally the “Chicago Boys”, the Chicago University educated group of technocrats who played a central role in the first wave of neo-liberal restructuring in the highly authoritarian setting of Pinochet’s Chile during the 1970s.

3. Crises, Policy Choices and Path Dependence
Periodic macroeconomic crises play an integral role in our explanation of major policy shifts over time for a number of important reasons:

(a) Crises often constitute a clear signal that the underlying policy regime is unsustainable. Macroeconomic or financial crises in Turkey, Latin America and elsewhere often manifest themselves as balance of payments or external debt crises with the natural implication that the existing policy regime is unable to generate the foreign exchange resources needed to sustain the economy at a steady growth path. Typically, however, deeper forces are at work forming the background to such crises. Major economic crises, as the Turkish experience in the late 1970s, in 1994 and in 2000-2001 clearly illustrates, are also fiscal and distributional crises. An unsustainable fiscal deficit in itself is a sign that there are major distributional pressures on governments originating from various segments of society such as business, labor, and farmers and so on which governments increasingly fail to handle. Attempts by major interest groups in society to claim a larger share of the pie naturally lead to a situation where government expenditures increase more rapidly than government revenues. Large fiscal deficits become a major driving force in the emergence of a chronic inflationary process which undermines the competitiveness of the economy vis-à-vis the external competitors. In such an environment, the balance of payments situation becomes increasingly vulnerable with stagnant exports, rising imports and falling foreign exchange reserves. For example, Turkey’s growing fiscal deficits in the face of growing distributional claims from different segments of society together with attempt to push import-substituting industrialization into intermediate and capital goods in the 1970s increased the import dependence of the economy. Heavy import-dependence in the face of stagnant exports brought about a severe balance of payments crisis and the subsequent collapse of this model of industrialization by the end of the decade. In the more recent era of financial globalization, the problems have been compounded by the fact that such economies have become heavily dependent on fragile flows of short-term capital. Hence, it is not surprising that countries, which find themselves in a vicious circle of fiscal and distributional crises, tend to be even more vulnerable to a balance of payments crisis in an environment of heavy capital mobility and dependence on short-term capital flows. No wonder, therefore, that the frequency of crises has increased in the age of financial globalization as the post-1980 experience of Turkey clearly testifies.

(b) Frequent crises highlight the institutional weaknesses of countries in terms of their ability to manage underlying distributional conflicts or pressures. We may hypothesize that
countries, which are in the middle of the spectrum between the two extremes of established
authoritarian regimes and established democracies find themselves in a particularly vulnerable
situation in this context. One of the deficiencies of countries, which are in the process of
moving from democratic transition to democratic consolidation is the absence of sufficiently
strong institutional checks and balances. The presence of such checks and balances would
allow governments to manage the underlying distributional conflicts within the parameters of
parliamentary democracy, a process which would also help them to contain fiscal deficits
within permissible levels. It is also important to bring into the picture the distinction that we
have already introduced between narrow policy coalitions and the broad electoral coalitions in
this context. Established authoritarian regimes such as South Korea in the 1960s enjoyed a
natural advantage in the sense that strategic policy choices could be made through the consent
of the narrow policy coalition (namely state and business elites) without the need to engineer
a broad electoral coalition. In the Turkish case, in contrast, the narrow policy coalition during
the same-period was not sufficient to sustain the strategy. The narrow policy coalition had to
be supported by the build-up of a broader electoral coalition. Within the parameters of an
emerging parliamentary democracy, Turkey faced the dilemma that the build-up of such a
broad electoral coalition raised acute problems of distributional management and fiscal
disequilibrium which, in turn, helped to undermine the sustainability of the basic strategy
adopted.

c) Crises play a transformative role by ending the existing distributional stalemate and by
allowing the emergence of a new policy coalition to emerge especially by empowering
external actors relative to domestic actors. Major crises have significant distributional
repercussions. For example, the crisis of the late 1970s was resolved in the early 1980s by the
collapse of the ISI coalition. The major distributional burden of the shift from an ISI based
model to an export-based strategy in Turkey fell on wage and salary-earners and the
agricultural sector. The crisis has enabled key external actors such as the IMF, the World
Bank and the OECD to play a major transformative role as a new export coalition gradually
replaced the previous ISI coalition and the most dramatic policy shifts in this process involved
the exclusion of organized labor. In the absence of crises, the existing coalition supporting a
particular policy regime tends to display considerable resistance to change in spite of the fact
that there might be clear signs indicating that the existing policy regime might no longer be
viable or sustainable. This was clearly the case in Turkey towards the late 1970s. A major
shift to an export-oriented strategy failed to materialize until the country actually experienced a major economic breakdown.

(d) Crises also imply that countries postpone major policy choices with the result that action is delayed and the policy choice becomes more limited once the crisis actually occurs. The experience of East Asian economies is quite instructive here in the sense that such countries have been able to accomplish major policy choices voluntarily without actually experiencing major economic crises. A good example is South Korea’s voluntary transition to export-oriented growth strategy in the early 1960s at a time when most late industrializing countries opted for a prolonged import-substituting strategy. This relatively early shift enabled South Korea to engineer a major breakthrough in terms of export performance, which proved to be the foundation of its hyper-growth experience allowing it to prosper much more rapidly than the vast majority of late developing countries. By similar logic, one can conjecture that if Turkey had been able to accomplish a voluntary transition to an export-oriented growth strategy in a planned fashion during the early 1970s, as opposed to a forced transition in the form of a reactive response to a major crisis, Turkey’s development performance would have reached a higher plateau as a result. Delayed policy response which takes place after a crisis actually occurs means that the range of policy options tends to be much more limited especially in an environment where key external actors like the IMF assume disproportionate power and importance. To provide a concrete example in this context, in the absence of crises countries such as Malaysia and Chile were able to experiment successfully with “heterodox policy instruments” such as controls on short term inflows or outflows of capital. In contrast, such an instrument was not a realistic choice for Turkey in the aftermath of the 2001 crisis when an IMF-backed stabilization program took central stage.

(e) Crises are inherently costly in social, political and humanitarian terms. Even though we recognize the transformative impact of crises, we should also underline the fact that crises tend to be extremely costly in terms of their human and socio-political consequences. In many Latin American countries and Turkey, major macroeconomic crises have been associated with the breakdown of democratic regimes and their replacement by highly repressive military regimes. The interruption of the democratic process in this manner has no doubt represented a major setback for the efforts of these countries to make the transition to becoming a full democracy. Even in the more recent cases of crises, where the democratic regimes have tended to be more robust than in the past, the main burden of adjustment has tended to fall
disproportionately on weaker segments of society. What is quite striking from this discussion is that the emergence of major policy shifts and the rise of the associated policy coalitions do not involve simply a technical, but also an intensely political process.

4. Major Policy Shifts in Turkey during the Multi-Party Era: Towards an Integrated Explanation

The objective of the present section is to construct an empirical counterpart to the analytical framework developed in the previous sections. Our aim is not to provide a comprehensive overview of each policy phase. Instead, what we aim to do is to paint a stylized picture of the four main policy phases that we identify (Table 1) in order to illustrate the relevance or the applicability of our explanatory framework, particularly means of explaining the transition from one particular phase to another. We consider each policy phase in turn.

(A) Transition from the Etatism of the Inter-war period to Agriculture-Led Integration to the World Economy: The Democrat Party Era of the 1950s

1950s mark a new era in the political and economic development of contemporary Turkey. This is a period which effectively constitutes the beginning of representative democracy in Turkey. In other words, it represented the end of the monopoly of single party government that characterized the inter-War period. The significance of the period also originates from the fact that “etatism”, the state-led industrialization strategy, as the hegemonic strategy of the inter-War era is replaced by a new economic strategy which placed primary emphasis on liberalization and a strategy of integration into the world market on the basis of agricultural exports. The emphasis of the new economic model of the 1950s was on agricultural development with a parallel focus on the development of transport and communication networks. The industrialization objective, confined to some progress in light consumption goods such as food and textiles, was relegated very much to the background. The aim of the new strategy was clearly to facilitate a process of integration both in domestic markets and to the global economy. In accounting for this major change of direction during our first policy phase, both external and domestic factors were at work. During the post-war period, the United States emerged as the new hegemonic power and in the new Cold War context, with
the Soviet Union posing a major security threat, Turkey found itself firmly located in the Western camp. In retrospect, the shift to the new strategy highlighted Turkey’s very first encounter with the notion of “aid conditionality” meaning external resources will be available on the condition that policy changes required by the donor are made. Turkey in the 1950s became an important recipient of Marshall Aid provided by the US to important allies in the emerging Cold War context. Yet, access to aid necessitated a major shift of direction in terms of economic strategy. The key international institution that played an intermediating role in this context was the IBRD (namely the World Bank). The “Thornburg Report” (Thornburg et al. 1949) and the subsequent country report produced under the auspices of the IBRD (IBRD, 1951) represented major critiques of the etatist strategy and outlined the key elements of reform. The strategy that the newly elected Menderes government adopted in 1950 was very much in line with the recommendations of the Thornburg Report.

Although a major impetus for change originated from the drastically transformed international context of the post-war period, it would nevertheless be unfair to place all the emphasis on external actors and influences. Important changes have also been taking place domestically which also helped to undermine the etatist strategy towards the end of the 1940s. The newly elected Democrat Party under the leadership of Adnan Menderes represented a broad coalition of interests involving major landowners and commercial interests on the one hand and the broad spectrum of peasants and farmers, on the other. Rapid expansion of the cultivated land area accompanied by rapid mechanization and generous price support policies by the government were key instruments of this strategy. This broad domestic coalition also welcomed the new strategy proposed by the key external actors. Even though there was an element of conditionality imposed by the external actors involved, important domestic constituencies also provided significant support to this policy. The changing political environment in the early years of parliamentary democracy enabled the new political elite to implement this strategy quite effectively. Indeed, the early years of the 1950s represented one of the most favorable growth episodes in the history of the Turkish economy. The period, however, also marked the beginning of a pattern which was to be repeated frequently during the course of successive decades. After a promising beginning, aided by some aspects of a generally favorable external environment such as the buoyant demand in world markets for Turkish agricultural exports during the Korean War as well as favorable weather conditions, the strategy encountered increasing problems during the course of the decade. Growing fiscal disequilibrium and rising inflation helped to undermine the balance of payments equilibrium
with the result that a major economic crisis became inevitable by the late 1950s. Turkey experienced its very first encounter with the IMF in 1958, a decade or so later than its encounter with the World Bank. The collapse in the economic realm was not the only consequence for Turkey; the nascent democratic regime was interrupted by the military coup of 1960, too.

Table 1: Key Turning Points in Turkish Economic Development and the Principal Driving Forces

<table>
<thead>
<tr>
<th>Phases</th>
<th>Global Context and the Key External Actors</th>
<th>Dominant Development Discourse</th>
<th>Domestic Policy Coalitions</th>
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<tbody>
<tr>
<td><strong>Phase I: Transition from Etatism to Agriculture-based Integration to the World Economy: The Agrarian Populism of the 1950s</strong></td>
<td>US as the new hegemonic power; World Bank/IBRD is the key actor; Direct US aid under the Marshall Plan based on policy guidelines provided by the IBRD</td>
<td>Benefit of integration and participation in the capitalist world economy; advantage of market-based development as opposed to the inefficiency of Soviet style central planning hand in hand with the emergence of structuralist development economics recognizing the role of state in development</td>
<td>A coalition of major land owners and peasants favoring an agriculture –based strategy; as well as the emerging industrial bourgeoisie; the ruling party representing this new coalition of interests</td>
</tr>
<tr>
<td><strong>Phase II: Transition from a broadly liberal policy regime to a protectionist import-substituting industrialization strategy in the 1960s and the 1970s</strong></td>
<td>OECD/World Bank; EEC becoming important but still in the background in the Transatlantic alliance dominated by the US</td>
<td>“National developmentalism” in a mixed economy context; the existence of pervasive market failures and the need for systematic state intervention and planning for rapid industrialization</td>
<td>Emerging industrialists, the big bureaucratic agencies responsible for implementing the national developmentalist model as well as organized labor form the backbone of the new ISI coalition</td>
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Phase III: Collapse of ISI and the rise of the Neo-liberal Model with emphasis on Liberalization and De-regulation: The post-1980 era until the outbreak of the 2000-2001 crisis

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<th>Phase III: Collapse of ISI and the rise of the Neo-liberal Model with emphasis on Liberalization and De-regulation: The post-1980 era until the outbreak of the 2000-2001 crisis</th>
<th>World Bank, the IMF and the OECD; geo-strategic importance of Turkey in the ongoing Cold War context in the 1980s; EU became more important in the 1990s, but still a weak anchor</th>
<th>The emergence of Washington Consensus; emphasis shifts from market to government failures in development with the logical corollary that correct policy involves extensive liberalization and privatization</th>
<th>Export-oriented industrialists, including small and medium sized enterprises in the so-called Anatolian Tigers, financial interests as well as elements of the new neo-liberal bureaucracy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase IV: Neo-liberalism with a Regulatory State Component: The Post-2001 period</td>
<td>IMF and the EU as the dominant actors with the World Bank somewhat in background; continued strategic importance of Turkey for the US in the post-Cold War and the post 9/11 global context</td>
<td>The emergence of the post-Washington Consensus; shift of emphasis to the need for an effective regulatory state as the basic ingredient of market based reforms</td>
<td>Export-oriented big business becoming increasingly transnational in its operations; forming an alliance with a growing group of transnational investors; export oriented small and medium sized businessmen with financial interests; growing segments of the new regulatory bureaucratic agencies, institutions like the Competition Board, Central Bank, and the Bank Regulations and Supervisory Board occupying the prestigious positions on the bureaucratic arm of the neo-liberal state apparatus.</td>
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</tbody>
</table>

(B) The Transition to Protectionism and Domestic Market-Based Industrialization Strategy of the 1960s and the 1970s: the ISI Era
In retrospect, Turkey’s shift of direction in the 1960s after only a decade seems rather surprising and requires an explanation. Clearly, several influences were operative which collectively explain this dramatic U-turn in a neo-etatist direction. Again starting with the external context, we may conceptualize the Turkish experience in the 1960s as Turkey’s delayed encounter with the “Keynesian Revolution” in the West. The new Constitution of 1961 had a major emphasis on the extension of social rights and the idea of planned economic development. This new outlook clearly endorsed the key role of the state as a major agent of economic and social transformation and highlighted the impact of the Keynesian Revolution which had a deep impact in the United States and Western Europe in the 1950s and the 1960s. Furthermore, the major international institutions such as the World Bank increasingly found itself more receptive to the ideas of infant industry protectionism, at least on a temporary basis, as well as the idea of planned development as a means of fostering rapid industrialization and development. For the United States, the need to increase the pace of development in the periphery of the capitalist world economy was firmly rooted in the logic of Cold War rivalry, with the threat of the spread of communism creating an important impetus for the tolerance of more interventionist strategies in the emerging states of the developing world. The growing power of TNCs originating in the US, finding a lucrative base for investment in the large and protected home markets of the newly industrializing countries such as Brazil and Mexico also explain in part the growing receptivity on the part of the United States to the adoption of ISI-style development strategies. Hence, turning to the Turkish experience, the changing external context produced a favorable environment for the adoption of a new strategy and the fact that the old strategy had been discredited by a major financial crisis also helped to produce the necessary space within which the new strategy could be institutionalized. The key external actor which was directly involved in the policy process and the development of the new planning bureaucracy was this time the OECD, with Jan Tinbergen, the Nobel Prize winning economist, initially playing a central role in the design of Turkish five year plans.

Again, however, we need to turn our attention to the domestic context to provide the necessary balance. In the domestic sphere, we observe the emergence of an ISI or a national developmentalist coalition which favored the new strategy. This new coalition embodied the rising industrialists of the 1960s, who were making the transition from landownership or commercial entrepreneurship to industrial entrepreneurship, a process which, indeed had started earlier, under the creeping protectionism of the late 1950s. The coalition also
embodied key elements of the bureaucratic elite which had been marginalized during the Menderes era, but has managed to regain its status following the military intervention of 1960. Last but not least, organized labor, which received significant benefits in terms of expansion of social rights under the new Constitution of 1961, became another member of this nascent coalition. In contrast, farmers and peasants, for example, were excluded from the basic ISI policy coalition, but given the numbers involved, governments in power under the constraints of parliamentary democracy had to resort to policies to bring the agricultural population into their broad electoral coalitions, particularly in the periods leading to general elections.

The approach involving planned industrialization or planned development was often portrayed as a reaction to the uncoordinated expansionism of the Menderes era. The basic logic was to industrialize, moving stage by stage to higher levels of industrialization without undermining balance of payments equilibrium. The strategy was quite effective over the period 1963-1977 in terms of accomplishing relatively high rates of economic growth and substantial structural change. Industrial entrepreneurship in Turkey was clearly the product of this particular phase of national development, during which both the private enterprises and state economic enterprises played a significant and complementary role. Again, the problem as in the previous era was that governments were not able to achieve sustainable growth. Rather reminiscent of the pattern of the late 1950s, the Turkish economy experienced another wave of fiscal disequilibrium and rising inflation. The outcome was a much deeper balance of payments and debt crisis in the late 1970s, judged by the standards of the previous crisis. This crisis may also be explained by the fact that Turkey encountered deep external shocks in the form of successive oil price hikes in the 1970s. The crisis pinpointed once again the deficiencies of Turkish democracy and the inability of governments in power to manage distributional conflicts within the institutional boundaries of parliamentary democracy in such a way that the management of these conflicts would be compatible with the goals of fiscal equilibrium and sustained economic growth.

In line with our discussion, Turkish state’s policy during the 1960s and the 1970s was very much in line with our notion of the “reactive state”. Turkey followed the route of the majority of late industrializing countries during this period in terms of pursuing a prolonged import-substituting industrialization strategy. In this respect, Turkish development experience was much more in conformity with Latin America than East Asia. Arguably, we can classify the
Turkish state as a fragmented developmental state enjoying a much lower degree of autonomy relative to the key societal actors such as the big business as compared with its East Asian counterparts in South Korea and Taiwan. Unlike the case of the East Asian states, the bureaucratic arm of the domestic policy coalition never had the upper hand. Indeed, the East Asian states were able to display a much more pro-active behavior in terms of their ability to engineer major shifts in the direction of export-oriented industrialization without actually experiencing the types of crises that Turkey or the major Latin American countries have experienced.

(C) The Collapse of the ISI Model and Turkey’s Encounters with Neo-liberalism and the Washington Consensus: the 1980s and the 1990s

The third policy phase in our analytical schema corresponds roughly to the first two decades of neo-liberalism. Our general framework involving the combination of external dynamics and domestic coalitions is once again relevant in this context. Starting again with the external realm, the late 1970s are marked with disillusionment with the Keynesian Consensus in the North and the parallel process of formidable difficulties with the application of ISI strategies in the South. The late 1970s mark the rise of neo-liberalism as the hegemonic development discourse. The major Washington institutions increasingly embrace the basic message of neo-liberalism and incorporate the key neo-liberal principles of market-liberalization and privatization into their conditional policy packages. Indeed, Turkey is one of the countries which become a testing ground for neo-liberal principles in the early 1980s. Key international institutions like the IMF, the World Bank, and the OECD have been collectively involved in Turkey’s neo-liberal restructuring process. The collective power of these actors to instigate policy change became even more striking once the previous model had been discredited through a major crisis in the late 1970s and the country became heavily dependent on external financial inflows. The collective interests of major international institutions in Turkish restructuring process were compounded by the country’s geo-strategic significance for the United States and its Western allies in a period marked by the Soviet invasion of Afghanistan signaling the continuation of the Cold War contest.

On the domestic front, we also observe the collapse of the ISI coalition and its gradual replacement by a new export-oriented policy coalition. A distinctive characteristic of the
domestic coalition during this phase was that it was basically built during and under the spurt of the policy transformation itself whereas in the previous phases the domestic coalition was developing before the policy change. The twin forces of heavy external involvement under severe crisis conditions and the subsequent military intervention were instrumental in preparing the ideal ground for the flourishing of the neo-liberal model. The key members of the ensuing coalition were the components of the business community, especially parts of big business, which were able to make the transition from domestic markets to exports as well as elements of the new bureaucracy which became central to the implementation of the neo-liberal program. Turgut Özal was the leading transnational policy entrepreneur, occupying central stage in this particular coalition during the first decade of neo-liberal reforms in the 1980s. Sidelined from this coalition were components of big business, which were unable to adjust to the new environment as well as elements of the “classical” or the “etatist” components of the economic bureaucracy such as the State Planning Organization (SPO). Perhaps the biggest loser in the new era was organized labor whose fortunes experienced major setbacks, especially during the early years of export-oriented growth when it was faced with severe repression and a sharp fall in real wages. In the early years, there was a considerable rift within the business community with respect to export versus domestic market coalition. This rift became less pronounced over time as the neo-liberal policy coalition expanded to include a larger segment of both big and small businesses which became increasingly export-oriented in their operations. The new policy coalition also included financial interests or the so called “rentiers” who clearly benefited from financial liberalization and high and rising domestic real interest rates. The fortunes of these groups improved further with opportunities to lend to the state at high interest rates as the government felt growing pressure to finance its rising fiscal deficits.

In terms of economic performance, the period again was characterized by a boom-bust cycle rather reminiscent of the previous decades. Following a major recovery process in the early 1980s, a process in which external assistance played an instrumental role, the process became increasingly unsustainable and prone to crises in the context of the 1990s. Once again, this highlighted the weaknesses in the regulatory capacities of the Turkish state and its inability to

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6 Two prior short-lived attempts at export orientation in the early 1950s and early 1970s notwithstanding, it can safely be argued that a pro-export orientation constituency was notable for its absence when the ISI model collapsed at the end of the 1970s. As Ebiri (1980) has documented in detail, the most influential segments of Turkish society just before the transition to the neo-liberal model in 1980 were in favor of the previous model. If anything, there were only isolated voices favoring an alternative path. See Krueger (1974) and Tekin (2006) on Turkey’s attempts at liberalization and export orientation before 1980.
manage distributional conflicts within a broadly democratic environment. The Turkish state again displayed reactive behavior in conforming to the norms of the Washington Consensus rather wholeheartedly by opening up the capital account regime in 1989, without achieving the necessary degree of macroeconomic stability and the tight regulation of the financial system. This constituted a sharp contrast with the experience of some other late-comers such as India and China which were much more gradual and selective in their approach to capital account liberalization. Particularly the second decade of neo-liberalism for Turkey represented the unhappy face of the Washington Consensus. The combination of fiscal instability and premature capital account liberalization in the absence of an adequate regulatory framework were largely responsible for the eruption of successive economic crises in 1994, 2000 and 2001. These crises have severely undermined Turkey’s overall economic performance, especially judged by the performance of some of the key “emerging markets”, notably those in Asia and the post-communist Eastern Europe.

(D) Neo-liberalism with a Regulatory State Component: The Post-2001 Era

The crisis of 2001 in Turkey was perhaps instrumental in ending the years of the Washington Consensus and marking the beginning of a new encounter with some of the key principles embodied in “Post-Washington Consensus”. A mix of changing global dynamics and a parallel shift in domestic policy coalitions are at the heart of this transition to the new phase of the Turkish neo-liberal experiment. In terms of global dynamics, there is no doubt that there has been a broad disillusionment with Washington Consensus in action. Apart from its poor record in dealing with widespread poverty on a world scale, the frequency of crises in emerging markets during the 1990s, in particular, has raised very serious question marks against one of the core principles of the Washington consensus, namely wholesale financial and capital account liberalization. Especially, in the aftermath of the major Asian financial crisis of 1997, the IMF has faced a serious identity crisis. This identity crisis, in turn, has been associated with a shift of emphasis in the direction of strengthening institutions and the regulatory arm of the state. This shift of emphasis is also clearly reflected in the post-2001 restructuring process of Turkey with major attention paid to creating powerful regulatory institutions in the realm of banking and finance as well as enhancing the power and autonomy of existing key institutions such as the Central Bank.
In discussing the post-2001 restructuring process a useful formulation might be the IMF-US-EU nexus. The active involvement of the IMF in Turkey’s post-2001 process was once again shaped by the security concerns of the US which became all the more important in the post-9/11 global environment. Furthermore, a distinct feature of the period was that the EU itself, for the first time, became a major source of economic and political change in Turkey, following the critical turning point in December 1999 involving the transition of Turkey to full candidate country status for full-membership. Becoming effective at the beginning of 1996, the Customs union agreement represented an important landmark in Turkish economic history. Despite this fact, it is fair to say the real impact of the EU, in terms of both its conditions and incentives, is effectively felt in Turkey during phase IV, once the prospect of membership became a concrete possibility. The combination of IMF and EU conditionality has tended to reinforce one another. At the same time, the EU conditions have helped to generate a major wave of democratization reforms in Turkey. These are also important in terms of their economic repercussions in the direction of improving institutional quality and the rule of law, which probably would not have been possible if the IMF alone was involved in the restructuring process.

Turning to the domestic plane, the new policy phase of policy regime had significant backing from key elements of big business as well as small and medium sized interests. Both elements favored a properly regulated macroeconomic environment as a necessary condition for achieving stability and sustainable growth, even if they were not equally enthusiastic about the prospects of tight regulation of the banking system. The business component of the coalition was extended to include much stronger foreign investor presence compared to the previous policy phases as Turkey has started to attract both significant long-term foreign investment as well as short-term investment during the recent era. Furthermore, a new element of the reorganized or reconstituted domestic policy coalition is the group of important autonomous regulatory institutions pointing to a significant shift of power within the internal organization of the state itself to these new forms of bureaucratic institutions.

An interesting question to consider which is somewhat beyond the scope of the present essay is whether the current policy phase in Turkey represents a major rupture or a real break with the past, putting an end to the cycle of periodic crises and breakdowns resulting in a new policy phase in line with the changing global context. This is a somewhat speculative question considering that we are still in the process of living through this particular policy phase. An
optimistic assessment would suggest that Turkey’s economic performance has significantly improved in recent years judged by its ability to achieve high growth in a low inflation environment, which renders the achievement of sustained growth over time a stronger possibility than has been the case in the previous eras. What may also make one more optimistic about the future is that Turkey has been able to attract significant flows of long-term investment for the first time in its post-war development trajectory. Furthermore, the EU anchor, in spite of its problems, constitutes a long-term external anchor. This again presents a certain contrast with the experience of the previous decades in the context of which key international institutions have acted as temporary rather than long-term anchors, with their transformative impact often being restricted to the immediate or, at most as in the context of the 1980s to medium-term post-crisis restructuring process. On a less optimistic note, one could also draw attention to elements of fragility that continue to exist in the Turkish economy such as a large current account deficit and a heavy domestic and external debt burden. One should also take into account the fact that Turkey has benefited enormously, like all other emerging markets, from the unusually favorable global liquidity conditions in the post-2001 era. Clearly, a possible reversal of these conditions could undermine the optimistic scenario concerning the future path of the Turkish economy. Likewise, the inability of the economy to generate sufficient productive employment despite rapid rates of growth, in the face of strong supply-side pressures in the labor market, leaves unemployment as a major problem for the foreseeable future. Finally, the persistence of severe inequalities at all levels and deep-seated poverty may present a formidable obstacle for the sustainability of the recent favorable picture.

The foregoing analytical framework, while by and large embracing the main structural transformations in post-war Turkish economic development, still suffers from a number of shortcomings, warranting several caveats. First, there are the well-known difficulties of dividing a long period into distinct phases. Individual phases may not always show a uniform pattern over time. For example, although there is sufficient ground to describe Phase 1 as market based, one should not overlook the fact that there was a great deal of intervention by the government in industrial policy through the import and exchange rate regimes and also in the free functioning of the market mechanism through extensive price controls. Likewise, external factors, which were on the whole favorable in the first decade of Phase 2, present an altogether different picture in the second decade as relations with the United States turned sour following the Turkish intervention in Cyprus, adversely affecting Turkey’s relations with
the IMF and the international financial community. Second, the factors to which we have attached primary importance in explaining the movement of the economy from one phase to another are accompanied and augmented by powerful exogenous events, having differential impact on the course of the economy. For example, the Korean War facilitating buoyant demand for Turkish agricultural exports in Phase 1, labor migration from Turkey to Western Europe and the concomitant inflow of sizable workers’ remittances as well as successive oil shocks in Phase 2, Iran-Iraq war providing an impetus for Turkish exports, the hostilities in the Eastern and Southeastern regions of Turkey over the Kurdish question, and the devastating earthquake in the industrial heartland of the country in Phase 3, and finally 9/11 in Phase 4 constitute some of these factors that in different ways have had a bearing on the nature and duration of each phase. Likewise, the interruption of Turkey’s transient democracy on several occasions by military intervention, most notably in 1960, 1971 and 1980, although not altogether independent of developments in the real economy should also be included among such exogenous events shaping development. Third, the broad coalitions that have characterized each phase were not altogether free of inner tensions. For example, in Phase 2, the deep conflicts that bedeviled the First-five year plan even at the preparation stage\(^7\) escalated in later years to stormy tensions between business interests and an increasingly vociferous organized labor.

Upon closer examination, several additional characteristics of post-war Turkish economic development based on the four-phase analytical framework presented above emerge. First, Turkey has moved very much with the tide of the dominant development discourse and acted in a similar fashion with the bulk of countries at a similar level of development. In contrast, countries, which have moved against the tide in some important respects, have been the most successful, as the experiences of South Korea and Taiwan in Phase 2 and India and China in Phases 3 and 4 have amply demonstrated. Such observations call for the need to examine Turkish economic performance in different phases within a comparative framework with other countries at a similar stage of development. Although it is beyond the scope of this paper to indulge into such comparisons,\(^8\) efforts in that direction may shed some light, for example, on the reasons behind Turkey’s laggard record with respect to its production and labor market structure and key human development indicators.

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\(^7\) See Milor (1990) on this issue.
\(^8\) See Pamuk (2007) for a general account in this respect.
Second, Phase 2 stands out from the other three phases in some important respects. It is, especially in the first decade of this phase that Turkey comes nearest to showing some of the characteristics of a developmental and proactive state. Although external agents are at work they are very much in the background. External assistance is provided to support *domestically determined* development objectives as stated in five year plans. Moreover, the political regime is more open than in the other phases. The domestic coalition is also distinctive in the sense that it includes broad segments of society, including labor. Third, although each phase has sufficient distinct characteristics facilitating the delineation of one from the other, one should not overlook the fact that, notwithstanding certain discontinuities they together represent a continuum, explaining a country’s development over more than half a century. In this process, there has, however, been a remarkably sharp change in the attitude of domestic policy makers towards external influence in economic policy making. While the agriculture-based development strategy recommended by the World Bank was generally accepted in Phase 1, the relations between the World Bank and the Turkish government were not altogether amicable with the Turkish government showing a great deal of sensitivity to interference by the World Bank in domestic economic policy-making. Likewise, the relations between the IMF and the Turkish government were far from being harmonious. The Turkish government was notorious in its failure not to stick to the initial agreements with the IMF for long in both Phase 1 and Phase 2. The relations between the IMF and the Turkish government reached their nadir at the end of Phase 2, at the height of the crisis in the late 1970s when the Turkish government showed considerable resistance to come to an agreement with the IMF. There was a sharp turnaround in the attitude of the Turkish government towards both of these institutions in Phase 3 so much so that these two institutions took central stage in the design of economic policies in Turkey’s transition to the neo-liberal framework and increased their conditionality beyond the economic sphere in Phase 4, amidst charges in some quarters that Turkish economic policy-making is now altogether in their domain.

5. The Turkish Experience in a Broader Setting. The Continued Importance of State Capacity

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*This sensitivity at times took a sharp turn with the Turkish government asking the World Bank office in Turkey to be closed and on a different occasion ordering a World Bank policy document to be actually destroyed.*
Turning from the Turkish experience to the general realm, the central diagnosis underlying the neo-liberal resurgence in development theory, which subsequently gave rise to the “Washington Consensus”, was that “state failure” was the root cause of weak economic performance. The natural corollary of this line of thinking which dominated the practice of key multilateral institutions such as the IMF and the World Bank was to reduce the weight of the state in economic affairs and expand the domain of the market. In a way, “the state” and “the market” were juxtaposed in dichotomistic terms: the “retreat of the state” was a necessary state in the enlargement of the realm of the “free market”. What is interesting is that the accumulating evidence on economic performance in the era of global neo-liberalism during the past two decades reveals a paradox. “State capacity”, in one way or another, has been quite central in the experience of the more successful set of countries in the new era, managing to capitalize on the potential benefits and minimizing the risks associated with the novel environment of neo-liberal globalization. Similarly, it was weak state capacity which accounted for the relatively less impressive economic performance of countries like Argentina and Turkey. The latter have failed to convert early surges in growth to a process of sustained economic growth which would enable them to converge steadily towards the living standards of advanced economies.

A similar dichotomy can be observed in the literature on globalization versus the nation state. Early and simplistic accounts suggested that the process of globalization would necessarily undermine the power and influence of the nation state in a way as to render the nation state obsolete over time. There is no doubt that the forces of globalization have placed major constraints on national economies and have, indeed, rendered certain specific instruments of economic policy quite redundant. In the current international context, individual states find it increasingly difficult to implement old-style protectionism, industrial policies based on direct targeting of specific sectors, tight exchange controls over capital controls, extensive redistribution through large welfare states and the like. The fact that certain specific instruments are no longer implementable does not imply that the state, by definition, has lost all its relevance. In fact, the evidence increasingly suggests that state intervention, but through novel mechanisms and institutions, is the key to economic success in the experience of the emerging outliers ranging from China to India and Ireland in the new global context.

10 See Öniş and Şenses (2005) for details.
11 For an early study drawing attention to the limitations on the policy space of developing countries see Öniş (1998). For more recent attempts in the same direction concentrating mostly on the limitations imposed by the WTO on the policy autonomy of developing countries, see Wade (2003) and Akyüz (2007).
Another key element that needs to be firmly integrated to the discussions of state capacity is the impact of the process of regionalization taking place concurrently with the process of globalization. There is a tendency in simplistic accounts to assume that the process of regionalization is likely to undermine state autonomy and render the nation state quite obsolete. Again, there is no doubt that the process of regionalization, particularly in the context of formal arrangements like the European Union, results in a transfer of sovereignty in important ways from the nation state to supra-national institutions. But at the same time, active participation in regional experiments, such as membership of the EU, may help in improving state capacity, which also enables individual states to cope more effectively with the pressures and challenges of globalization. Hence, the issue of state capacity, in the current international context, should be approached in a triangular fashion in which the complex interactions between states, regional entities and the global context need to be taken into account and investigated explicitly.

6. Pro-active versus Reactive States: Interpreting the Experiences of Hyper-Growth Cases in the Age of Neo-liberal Globalization

Our central contention is that state capacity matters in the age of neo-liberal globalization and following Linda Weiss (1998) state capacity needs to be disaggregated into three distinct components: (a) the developmental or transformative capacity (b) the regulatory capacity and (c) the redistributive capacity or more broadly the ability to build social cohesion. What Weiss refers to as the “transformative capacity” of the state, namely “the ability to coordinate industrial change to meet the changing international competition”, is in fact the development functions and capacities of the state (Weiss, 1998, p.7). According to Weiss, whose account is clearly influenced by the experience of Asian developmental states, “state capacity in this context refers to the ability of policy-making authorities to pursue domestic adjustment strategies in co-operation with organized economic groups, upgrade or transform the industrial economy” (Weiss, p.5). What is interesting in this definition is that there is no reference to specific instruments. The nature of the instruments may change both in line with the depth of development in the domestic industrialization process as well as the changing nature of the global economy and the constraints imposed by multilateral institutions. The focus on the transformative or the developmental capacity is important. But at the same time,
it is incomplete in so far as it fails to take into account the other two dimensions of state capacity. These are also quite crucial in terms of the ability to generate sustained economic growth with social cohesion and to avoid costly financial crises in the process in the current international context and the distributional conflicts that often accompany them.

A cursory examination of comparative evidence suggests that the more successful states in the neo-liberal era have been pro-active states which have deviated from neo-liberal norms in certain crucial respects. There is no doubt that success is not associated with a process of self-enclosure and inward-orientation. Economies that have managed to generate high growth have been generally open, outward-oriented economies, which have tried to capitalize on export opportunities in the world market and long term foreign investment. At the same time, the opening up of this process has been based on a gradual and controlled liberalization process. The early success of South Korea and Taiwan was based on selective industrial policy designed to create successful export industries. The more recent examples of China, India and Vietnam also point towards the importance of industrial strategies. Whilst all of these are outward-oriented models, with external competitiveness as their points of reference, none of these could be described as typical examples of free market models.

The Irish case, recently described as “the Celtic Tiger”, is a striking case of a country which has helped to develop the innovative capacities of domestic firms whilst trying to derive maximum opportunities from foreign investment opportunities at the same time. The Irish state has been quite successful in terms of integrating local firms into international networks. The pro-active policies of the Irish state, through new institutions such as the Irish Development Agency, has also been instrumental in attracting high-tech foreign investment to Ireland with a significant spin-off into the country’s long-term industrial performance. (O’Donnell, 2004). In addition to providing developmental and transformational capacities for both national firms and transnational corporations in terms of a high quality labor force and physical and legal infrastructure, the Irish state has also displayed strengths in the other key spheres of state capacity. It has been active in terms of developing a competitive and regulatory environment conducive for investment. In addition, the “social partnership” model, in the context of which the Irish state was an important actor once again, was quite conducive for the achievement of social and political stability needed for long-term productive investment. There is no doubt that the regional context was also important in Ireland’s ability to benefit disproportionately from the globalization process. Many European and American
firms have taken up the opportunity to serve the European market from a low-cost and nearby location and have consequently taken the decision to restructure production in Ireland.

The key lesson here, which is certainly not unique to Ireland but constitutes a common denominator in other successful European cases such as the recent revival of the Swedish model to successful Asian cases, is that the real economy matters. In line with this view, states try to adopt pro-active policies through various direct and indirect mechanisms to upgrade the performance of national firms as well as attracting in competition with other states the right kinds of FDI needed for long-term transformation. As the experience of Ireland clearly testifies the approach towards FDI is not a passive policy of creating the right environment, but a strategy that goes beyond this and tries to actively encourage the desired types of FDI through a variety of promotion and inducement mechanisms.

Yet another important feature of the more successful pro-active states is that they are able to experiment with heterodox instruments such as controls over short-term capital flows. The evidence suggests that a number of important hyper-growth cases such as Malaysia and more recently other Asian economies which have actually experienced the crisis in 1997, such as South Korea, have successfully experimented with controls over short-term capital flows (Weiss, 2004). What is interesting here is that the more successful economies are the ones which are able to move beyond the confines of orthodox international financial institutions such as the IMF and experiment with heterodox policies of their own, a process that is associated with a virtuous cycle of crisis-free growth. Whilst the traditional developmental state has been undergoing a drastic transformation in recent years, there is no evidence that it has been totally dismantled. In fact, it is argued that it was the strength of the real economy, itself, a by-product of the developmental capacities of the Korean state, which has been quite instrumental in the strong post-crisis recovery process of the Korean economy (Weiss, 2004).

In contrast, the relative under-performers or moderate performers, meaning those countries that have failed to realize their true economic potential considering the post-war era as a whole, such as Argentina and Turkey have been characterized by reactive states and weak state capacities in comparative terms. For the past quarter century, these states have been reactive in the sense that they have tried single-mindedly to follow the precepts of orthodox, neo-liberal recipes without in any way attempting to go beyond these recipes and experimenting with alternative forms of openness and degrees of integration into the global
economy. All out openness rather than controlled openness have characterized their strategies. In retrospect, state capacity has been weak in all three spheres. First, there was insufficient emphasis in developing the strength of the real economy. Second, key regulatory reforms which would have helped to prevent major economic crises have been delayed. Third, the states concerned were not able to engineer social cohesion over long periods of time. Consequently, their development trajectories, in a liberalized capital account environment, depended heavily on inflows of short-term capital and a process of fragile, debt-led growth with costly repercussions.

Having made these points, we need to qualify our arguments on reactive states in three important respects. Firstly, a reactive state does not necessarily mean a mild or a benign state. It is a well-known fact that both Argentina and Turkey during critical phases of their post-war development have experienced breakdowns of democracy and highly repressive state behavior involving forced exclusion of popular groups from the political process. Secondly, countries with reactive states have enjoyed boom periods of rapid growth and during those periods they have managed to accomplish the kind of growth rates comparable to star performers. The problem, however, was that these boom periods were short-lived and often ended with a crises, which, in turn, helped to reduce the overall rate of growth by a considerable margin over time. Thirdly, countries like Turkey and Argentina have been performing unusually well in the recent era. Again, it is too soon to say whether this growth will be the kind of robust or durable growth which has characterized the experiences of the hyper growth cases. There is also an interesting problem of interpretation regarding the rather favorable recent macroeconomic performance of these two countries. Is it due to the improvement in the regulatory capacities of these states or have they been benefiting disproportionately from the unusual boom conditions in the international economy in recent years?

Finally, an interesting question to pose in this context is whether there exists a link between state capacity and regime type in the current global context. Our basic conjecture here is that countries at the two polar ends of the spectrum namely established authoritarian regimes and established democracies appear to display superior state capacities. They are able to generate the kind of focus needed in terms of the development of longer-term supply-side policies as well as providing a more stable environment for long-term productive investment. In contrast, interim democratic regimes, with Argentina and Turkey clearly falling into this category, find
it particularly difficult to develop the kind of state capacities needed to benefit from the globalization process on a substantial scale. The encounters of interim democratic regimes with financial globalization are typically associated with costly consequences. This observation immediately highlights the importance of a favorable regional context in terms of helping to break this deadlock. The incentives provided by potential EU membership are quite critical in terms of facilitating the transition from an interim democracy to an established democracy and helping the process of *institution building* and *the implementation of the rule of law* which are likely to have a dramatic impact on the process of building state capacity and long-term economic performance in countries located in this category. The new Eastern European members of the EU such as Poland have clearly benefited from this process and have found themselves placed on a crisis-free growth trajectory through a parallel process of democratization and institutional economic reforms from the mid-1990s onwards. A similar process is currently occurring in the Turkish context and arguably places Turkey on a more favorable path compared to Argentina, where regional pressures for reform under MERCOSUR are weaker compared with the mix of conditions and incentives provided by the EU.

7. Concluding Observations

The present study has attempted to accomplish two separate but interrelated objectives. The first objective was to propose a general framework based on global-domestic interactions to account for the four major policy shifts in post-war Turkish development experience. The second objective was to highlight the importance of the distinction involving reactive versus pro-active states in accounting not only for major policy shifts over time but also for the differences in the development performances of individual late industrializing countries. Furthermore, we have argued that the reactive versus pro-active state distinction is not only valuable for comparative-historical analysis but also continues to be relevant in the current era of neo-liberal globalization.

The recent experience of countries like Turkey suggests that even reactive states can experience significant state transformation and a parallel improvement in state capacity with the primary impetus for change originating from external forces. There is no doubt that the regulatory arm of the Turkish state has improved considerably in the aftermath of the major
financial crisis of 2000-2001. The crisis itself was instrumental in terms of building a broad domestic coalition in favor of stronger macroeconomic and financial regulation. Perhaps even more significant was the fact that the crisis empowered key external actors such as the IMF and the EU to push strongly in the direction of regulatory reforms and the development of the associated institutional capacity needed to implement such reforms. This brings us to a major element which differentiates the fourth and the most recent policy phase in Turkey from the earlier policy phases, namely the existence of a long-term external anchor in the form of the concrete prospect of EU membership. The transformative impact of the EU, which was clearly evident in other national contexts in Europe’s Southern and Eastern periphery during the 1980s and the 1990s, was also very much in evidence in the recent Turkish context in the interrelated and mutually reinforcing realms of regulatory and democratization reforms. On the assumption that Turkey will continue to make further progress on the path to an established or a fully consolidated democracy, we are likely to be much more optimistic about its ability to make a radical break away from the boom-bust cycles which have been such a striking feature of its post-war development experience.

Despite the existence of powerful external anchors, there is still need for decisive action on the domestic front, which would in the first place lead domestic actors to have a much bigger say in their interaction with the anchors. Although there has been increased transparency in the relations of Turkey with the international organizations such as the IMF, there is still little knowledge available about what goes on behind the scenes during negotiations, in particular on the effectiveness of domestic negotiators in putting forward an alternative case. A similar situation applies with respect to relations with the EU, the other powerful anchor. Turkey’s attempts to become a full member going back to nearly half a century during which Turkey has been the passive and docile partner forcing the doors to enter at all cost without many scruples about the terms of entry, are again facing some reluctance on the part of established member states.

Based on the accumulated wisdom of the rich development experience at home and abroad and recognizing the limitations imposed by the international environment, Turkey should develop a more balanced development strategy, a strategy in which domestic agents occupy a more central and pivotal role and are engaged in a complementary relationship with external agents as opposed to a strategy which is primarily driven by external agents themselves. The fact that there is still a variety of approaches in terms of foreign trade, foreign investment,
R&D as well as macroeconomic and exchange rate policies\textsuperscript{12}, despite the more or less uniform application of neo-liberal economic policies through much of the developing world for more than a quarter century, should encourage domestic policy makers in this endeavor. In line with its determination to become an established democracy, the main objectives and instruments of the strategy should be developed with the full participation of major stakeholders. There is sufficient domestic expertise to give Turkey’s integration with the international economy a more developmentalist focus. Rather than accepting the continuous retreat of the state from economic life, it should seek ways and means to develop state capacity in all of its three forms.

Although some important steps have been taken in recent years to develop regulatory capacity, it is, yet, early to see the effectiveness of the new regulatory institutions in action. Simply transferring institutions from one context to another does not guarantee their effectiveness in the new environment.\textsuperscript{13} The establishment of independent regulatory institutions in the post-2001 crisis era was by no means a harmonious process free of political interference. While a lot of the effort for regulation in financial markets requires concerted international action, countries like Turkey which are particularly vulnerable to the speculative whims of financial investors should not be reticent in imposing defensive mechanisms.

It is the other two aspects of state capacity that require even more urgent action. In terms of transformative capacity there is need for effective industrial policy to broaden the industrial base towards skill and technology intensive branches. This should in due course help Turkey’s current export structure, based on a handful of commodities headed by textiles and clothing to change to incorporate higher value added products with better prospects in world markets. The limitations imposed on nation states to implement independent macroeconomic and industrial polices through multilateral rules and obligations, especially in the post-WTO international environment notwithstanding, there is room for maneuver for individual developing countries\textsuperscript{14}, especially in the sphere of incentives directed to research and development and regional development.

\textsuperscript{12} See Akyüz (2007) on this point.
\textsuperscript{13} Competition Board, for example, established in 1995 long before the new independent institutions, established after the 2001 crisis has not yet received wide acclaim in terms of its effectiveness.
\textsuperscript{14} See Akyüz (2007) in this context.
The redistributive capacity remains the weakest link in this respect with inequality at virtually all levels but especially in terms of gender based and regional inequalities placing Turkey among high inequality countries in terms of distribution of income and human development. Although there has been much talk about poverty alleviation, efforts in this direction have remained miniscule in the face of the scale and gravity of the problem. The biggest obstacle here remains in the redistributive component requiring in the final analysis the more active organization and participation of the lower income sections of the population in the political process. Turkey’s success in developing state capacity simultaneously in these three spheres no doubt depends on its ability to create the supportive institutional framework and the emergence of a domestic coalition favoring such a transformation.

References


Özet

KÜRESEL DİNAMİKLER, ÜLKEİÇİ KOALİSYONLAR VE REAKTİF DEVLET: TÜRKİYE’NİN SAVAŞ SONRASI KAKINMASINDA ÖNEMLİ POLITİKA DÖNÜŞÜMLERİ
