

Justice and Development in the Marketplace:
Business and Politics in AKP-Era Turkey

Reuben Silverman

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Committee:
Reşat Kasaba
Scott Radnitz

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I. Introduction

Turkey has long been a model for developing countries. As sociologist Çağlar Keydar observed, “[its] political independence, coexisting with economic domination . . . prefigured the later histories of many a peripheral country.”¹ Its subsequent economic experiences, ranging from etatism, to import-substitute industrialization, to market liberalization have likewise mirrored—or even preceded—those of similarly positioned countries. Unsurprising then that, after a decade of rapid growth, many are once again seeking to understand the roots of Turkey’s success.

A common explanation is that, the Turkish government, like many of its peers over the past thirty years, “has accepted to govern on . . . diminished terms.”² Starting in the 1980s, and accelerating after 2001 when economic collapse forced Turkish leaders to adopt International Monetary Fund (IMF) requirements and European Union (EU) norms, Turkey opened up its economy, shed the heavy hand of the state, and pursued new opportunities in surrounding markets. These market-oriented, or “neoliberal,”³ reforms have been embraced by the ruling Justice and Development Party (AKP), which represents the economic interests of groups long marginalized by the state and who are, consequently, in favor of its newly restricted role. In this telling, Turkey is experiencing “a gradual movement away from a state-led developmentalism” and, in a sense, offers a counter-point to the sort of “state capitalism” practiced by countries like Russia or China.⁴

This paper disputes such an interpretation of events. Though market liberalization has certainly had a tremendous impact on Turkey, much of the country’s recent success is due to the *active* role of the government in promoting economic growth—i.e.

¹ Keydar (1981), p. 3. He was specifically referring to the 1920s in this statement.

² Patton, p. 535.

³ This term certainly includes the “privatization of public corporations, foreign direct investment, liberalization of trade, and entrepreneurship.” (Atasoy [2009]: 16). But, more theoretically, neoliberalism “reconfigures the social and political around a belief in the ontological primacy of market economic forms” (Ibid.)—which is to say that, inherent in neoliberal political and economic policies is an attempt to turn human life—ie labor—into something that can be bought and sold in the marketplace, while removing the sorts of government protection which long cushioned this conversion process.

⁴ The quote is from Atasoy (2009:7). For discussion of “state capitalism,” see Ian Bremmer (2010) and “The Rise of State Capitalism,” *The Economist*, 1/12/12 for discussions of this increasingly common developmental strategy.

“developmentalism.”⁵ Whereas a multitude of divisions long stymied coordinated efforts between business and the state,⁶ the interests of Turkey’s political and economic elites are now far more aligned and coordinated. This meeting of the minds is the result of a virtuous circle: networks of businessmen marginalized by previous governments were forced to develop independent of state assistance. Liberalization created new opportunities for these networks. But this paper disputes the notion that these processes reinforce one another, that a business community formed in opposition to the state, and with the aid of market-liberalization, is now pushing policies limiting the state’s role.

Equating neoliberalism with a reduced developmental role for the state is problematic; as one scholar observes, “[The] introduction of neoliberal policies can become possible only through stronger—and more interventionist—governments.”⁷ The AKP, in so far as it seeks to shape the composition of actors in the market, is as developmentalist as any of its predecessors. Its developmental policies can be productively pursued in an era of reduced state capacity because the relationship between the government and the business community is no longer so hierarchical. Recent developments that many find troubling—such as the government’s ties to religious networks and its preference for “Islamic” firms and business associations—are actually examples of a state, once far too autonomous from its society, becoming ever more embedded, and, consequently, better able to coordinate efforts with the business community.

In essence, this paper seeks to contribute to ongoing discussions of Turkish political economy. It attempts to understand the roots of Turkey’s current economic success and argues that they are as much a result of active government policy as they are the fruits of market liberalization. As the goal of this paper is to question the degree of government retreat, it will be useful to place current patterns of government activity in a larger context. Accordingly, this paper will initially reflect on how the state related to the Turkish business class *historically* before attempting to show how it does *currently*. By

⁵ I’m using the term “developmentalism” rather broadly here, meaning any consistent set of policies meant to achieve economic growth. Using such a definition runs the risk of saying nothing: After all, what state is not, on this basis, developmental? There are, however, degrees of state involvement. While the Turkish state directly administers far less of the economy than it once did, state leaders still exercise a great deal of influence on who wins and who loses in the marketplace.

⁶ Barkey (1990) and Özel (2006).

⁷ Bayırbağ, p. 28.

reviewing the shifting relationship between the Turkish state and the “business class,” it will become clear that the composition of this class and, the direction of the relationship has changed radically over time. Moreover, the lines between the two have blurred to the point where the success of one serves equally to benefit the other.

An example should help illustrate this:

II. Cookies on the Periphery, Cronyism at the Center

Kashi, China—“Kashgar” to its Uighur population—is the last major town one hits before entering Pakistan. Long distance trucks traveling along the mountainous Karakorum Highway pass through it as a matter of course. The population is largely composed of Uighurs—a Turkic people. The city itself is starkly divided between a Uighur portion that occupies the old city and its environs, located south of People’s Park, and the Chinese portion to the north. People’s Park is largely a Chinese preserve; Uighur life centers around a large plaza ringed by market stalls, rooftop cafes, indoor clothing stores, and dominated by Id Kah, the largest mosque in China. Towering over the plaza as well during the summer of 2010 was a billboard for Ülker, a Turkish food manufacturer.

Ülker is but one of many Turkish companies whose reach now extends far beyond the national borders. Turkish firms are competitive in Central Asia, Africa, and the Middle East. Turkish construction companies have even built a handful of malls in coastal China, where ethno-linguistic connections give them no advantage. Turkish textile companies own factories in places like Cambodia. And a Turkish religious order operates private schools in scores of countries. The last twenty years—and especially the past ten—have seen Turkish businesses establish themselves in lands that Ottoman armies never dreamed of reaching.

But Ülker is representative of other trends as well. Ülker is one of many companies owned by Yildiz Holding and, though Ülker happens to be the oldest of its constituent companies, Yildiz Holding has expanded into areas as far afield from biscuit-making as banking.⁸ And, like any food manufacturer, the company needs to distribute its products. It does so through hundreds of small partner companies that specialize in

⁸ Owning a bank in Turkey is a wholly sensible proposition for a large holding company as it makes access to loans easier and, by encouraging employees to bank there too, a holding company can direct employee savings toward its own investments.

marketing and delivering Ülker's various products throughout the country. On Istanbul's Asian side, for example, Emniyet Gıda handles chocolate products, İhsan Gıda focuses on oil and butter products, and Yenidoğan Gıda specializes in soft drinks. These three companies also share another commonality: until 2005, they were all owned by Prime Minister Recep Tayyip Erdoğan, his family, and his close associates.⁹

When this prominent group finally divested itself of these companies after mounting criticism and tax-related investigations, a spokesman for Ülker shrugged the whole affair off, observing that, "The distributor we're talking about is only one of 500."¹⁰ Even if one accepts the idea that a large company might take little note of the fact that a *main* distributor for its *main* urban market is the sitting prime minister—and, before that, the mayor of the urban area in question—other details would serve to make the claim dubious: in addition to Erdoğan, his brother, his sister, her husband, and Erdoğan's Istanbul landlord, twenty-five percent of these companies were owned by Atilla Özökür. Özökür's brother, Orhan was the son-in-law of Ülker founder Sabri Ülker.¹¹

Besides being an example of the cozy relations between politicians and businesses in Turkey, the foregoing account hints at a more profound trend in the Turkish economy. As a large manufacturing company Ülker is a member of TUSIAD, an association of Turkey's largest companies—but it is *also* a member of MÜSIAD, an association of smaller corporations with an avowedly religious orientation.¹² MÜSIAD calls for a more moral economic order, and Ülker puts its money where its mouth is: it holds a 20% stake in Tukiye Finans, one of the country's largest Islamic banks.¹³

Given the great deal written about the *recent* rise of Islamic business in Turkey, Ülker, which dates back to 1944, is something of an outlier. The company's age suggests that pious businessmen have been part of the elite for quite some time. During the past several decades, however, these businessmen—and the wider religiously oriented social networks that they help constitute—became active participants in an organized challenge

⁹ Jang (2005), p. 231.

¹⁰ Nurten Erk, "Erdoğan Ülker'le yollarını ayırıyor," *Hürriyet*, 2/5/05

¹¹ Nedim Sener, "Cola Turka kardeşliği," *Milliyet*, 12/25/03, p. 7. The author of this piece spent a year sitting in prison, accused of participation in a vast conspiracy to overthrow the AKP.

¹² Buğra (1998), Öniş (2002), Keyman and Koyuncu (2005) all provide comparative discussions of the two associations and their respective philosophies.

¹³ For an overview of Islamic banking see Roy (1991).

to Turkey's established social and political order. In 1997, as part of a thoroughgoing attempt to purge the society of such religious networks, the Turkish military singled out Ülker as an institution giving "financial support to reactionary activities," and called for Turks to boycott its products.¹⁴

There will be ample time to consider this crackdown on religiously affiliated firms later, yet the foregoing example should highlight several important aspects of business-state relations in contemporary Turkey. In the first place, though many Turkish firms would seem to have capacities rivaling the state itself—huge work forces, vast conglomerations of companies, wide ranging interests, and far flung factories, the state clearly possesses sufficient tools to crush an errant corporation. Second, the connections between politicians and businessmen are both financial and social. In cases like Erdoğan's, the two groups can often be embodied in a single individual. Finally, as late as 1997, the Islamic orientation of firms could have seriously negative political—and, thus, financial—implications, which seems to reinforce the notion that religion is a fundamental divide in Turkish society.

III. Making Sense of Political Islam in Turkey

Then again, in every decade scholars of Turkey can point to some fundamental divide. During the early years of the Republic, the country was "divided" between modernizers and reactionaries in their various incarnations, be they royalists, Kurdish tribal leaders, local notables, or supporters of the Caliphate. During the 1950s and 1960s, the country was divided between the Kemalists, their military backers, and the more electorally successful Democrat Party, whose social base has been variously described as agrarian and industrial.¹⁵ Surveying the political landscape in the early 1970s, sociologist Serif Mardin famously argued that, "until recently, the confrontation between center and periphery was the most important social cleavage"¹⁶ The subsequent decade saw right-

¹⁴ Yusuf Özkan, "Genelkurmay'dan alışveriş ambargosu," *Milliyet*, 6/6/97, p. 17.

¹⁵ Karpas defines it as a party of "landlords and professionals" (55). Barkey expands its base to include "the intelligentsia . . . the new business elites . . . the peasantry and the urban workers (52). Tuğal agrees that the party contained multitudes and adds that "what united these sectors was not so much an alternative bureaucratic structure as patronage networks under the control of local notables" (38). Keyder (1987) speaks to the party's rural roots, but describes its rise in the context of splits between the bureaucracy and the bourgeoisie during WWII (114, 127).

¹⁶ Mardin, p. 170.

left divides. By the 1980s, military-civil society splits had come to the fore. The 1990s, for their part, saw ethnic divides.

Turkish society's ability to kaleidoscopically divide and re-divide in periodic cycles suggests that the country contains multitudes, and the presence of multiple divides implies that simple formulations like "secular vs Islamist" tells only part of the story and should not be assumed to be the AKP's sole, defining characteristic. Given this plethora of potential analytic frames, it is understandable that scholars seeking to explain the ascendance of the AKP during the last decade have identified an equally diverse array of factors. Jenny White's work, for example, focuses on the way in which Islamic politicians frame their arguments and mobilize their supporters. White seeks to understand how pious politicians have managed to capture the public imagination in ways that leaders of previous political parties—even parties rooted in the same communities—seldom managed to do. In her words, politicians from the AKP (and the Welfare Party that preceded it) developed a "vernacular politics" that spoke to understandings and moral schemas common among the electorate in order to affect mobilization.¹⁷ The work of Cihan Tuğal follows the reverse process by identifying the means by which supporters of Islamic movements are *demobilized*. Once in power, he argues, Islamist leaders moderated their rhetoric and encouraged followers to do likewise, thereby bringing what was once an oppositional movement into the mainstream.¹⁸

Other scholars focus less on the internal transformations of Islamic movements and more on the cultural pressures which shape them—and which they, in turn, attempt to affect. In the work of Alev Çınar, Nilüfer Göle, and Yael Navarro-Yashin there is a focus on the ways in which governments led by pious politicians have sought to assert authority over public space in Turkey and contest the strictures imposed on its use by "secular" state elites.¹⁹ Focal points for these struggles include alcohol, headscarves, public parks, and government buildings. In concentrating on such symbolic struggles—attempts to create, in Göle's words, "Islamic visibilities" in the public sphere—these authors suggest

¹⁷ White (2002).

¹⁸ Tuğal (2009) calls this a "passive revolution" in the Gramscian sense of an opposition being coopted into the existing hegemonic order.

¹⁹ I use the term "state elites" throughout as short hand for bureaucrats, lawyers, politicians, and military commanders—essentially all those who make or enforce the rules governing the institutions of the Turkish state.

that Islamic movements are primarily a reaction to the traditional state-elite's cultural politics.²⁰

Other academics, however, concern themselves with the economic forces driving Islamic movements and depict the AKP's rise as largely a reaction to changes in the economic realities facing Turks. Hakan Yavuz, for example, attributes the AKP's success to "the new emerging bourgeoisie rooted in Anatolia," whose growth he sees as a consequence of ISI²¹—or, rather, as a reaction to it. Haldun Gülalp similarly argues that "Islamist opposition originated in the small independent businesses that felt threatened with extinction."²² However, while Yavuz's largely emphasizes events internal to Turkey, Gülalp tends to see economic change as occurring outside the control of Turkish politicians and, thus, sees Turks as reacting to world-historic changes as much as to processes of their own making.

These are all valid and highly fruitful modes of considering the rise of the AKP. Moreover, they all present the AKP as a challenge to the previous order. But *which* order? Are Islamic movements in Turkey, as embodied in the AKP, a reaction to ISI or to the period of export-oriented, neo-liberalism that succeeded it? Does the AKP's electoral base lie with Anatolian industrialists or with informal sector workers in the booming urban areas of the country?²³ Tuğal addresses these questions most directly in arguing that Islam has been used to incorporate neoliberalism's victims into its hegemonic order—in other words, that the contradiction is there, but that religion is used to masquerade it. I would argue differently that members of Islamist movements are not opposed to neoliberalism, or ISI, so much as they are opposed to the particular class pushing it. By incorporating religiously oriented networks of businessmen into the policy making process—by creating "Islamic visibilities" both in the public and *economic* spheres—the AKP's developmental model has obscured some of these contradictions.

²⁰ Çınar (1997; 2009), Göle (1997; 2002) and Navarro-Yashin (1998; 2002). Gülalp (2001: 434) characterizes these analyses of struggle in the "realm of 'habitus', cultural codes and lifestyles" as based on Mardin's assumption of a center culture and a peripheral culture.

²¹ Yavuz (2006), p.1

²² Gülalp (2001), p. 435.

²³ White (2002), Atasoy (2009), and Tuğal (2009) all focus on Turks living in poorer, urban districts. Atasoy (2009: 131), for example, suggests that the modes of communal trust and support necessary to sustain life in the informal economy actually make the poor more accepting of neoliberal policies, since they long ago learned to live without the state's assistance—this is echoed by Yavuz (2006: 8) as well in discussing the "habitual illegality" under which many Turks live.

IV. Development with Turkish Characteristics:

State-Business Relations in Turkey

We can understand the roots of the AKP's developmental strategies by looking to their antecedents. Attempts by political leaders to shape the economic sphere (and the composition of the classes that inhabit it) have a long tradition in Turkey. Judged by the standards of *successful* developmental strategies, however, the methods chosen have often been lacking or counter-productive. Moreover, the strategies employed tended to produce results—in particular, alliances between politicians and large businesses—that were opposed by large segments of the population.

In the aftermath of WWI, Turkey's Greek and Armenian populations were largely gone. Yet Turkey's role as a site of agricultural production in the world economy persisted, and, during the first several years following WWI, it appeared that the country would continue to inhabit the same peripheral position that had been its pre-war lot.²⁴ The roles that minorities had played in marketing the region's agricultural produce to Europeans were simply assumed by Muslim commercial interests. State leaders limited their sphere of activity to cultural policies such as hat laws and language reforms. It took the world-economic crisis of the Great Depression to alter the emerging balance of power between the state and commercial interests. At its 1931 congress, the ruling Republican People's Party (CHP) embarked on a statist policy, coupling with a commitment to single-party rule with an assertion of dominance over the economy.²⁵

²⁴ As Kasaba (1988) describes, by the early 1800s, the Ottoman Empire was linked by trade to Europe's capitalist world economy. By around 1800, it had become closely tied to British markets as an exporter of primary products and an importer of British finished goods—the “definition of a peripheral economy” (Keydar [1981]). Such trade required intermediaries to oversee it. As Turkey lacked large landlords who might have formed commercial relationships with urban merchants, the role of intermediary tended to be filled by the Empire's non-Muslim population, which parlayed cultural and religious affinities with Europeans into economic benefits. Many of these intermediary groups saw their future tied not to the Ottoman Empire, but to Europe. The Ottoman economy, thus, came to be dominated by groups who felt little affinity to the Ottoman state. The late 1800s and early twentieth century saw rising tensions as European companies established a presence in the Ottoman Empire and directed greater benefits to Armenian and Greek workers than to the Muslim population. Labor resistance to these companies and their local allies was organized along lines of Islamic and village-based solidarity (Quataert [1983]). When the shock of WWI arrived, these divisions produced horrifically violent results.

²⁵ This is Keyder's argument—Buğra (1994: 21) adds that the Depression struck the same year as trade restrictions imposed under the Treaty of Lausanne expired, thus allowing Turkey to “freely determine” its trade strategy.

State-led development of the economy as a guiding principle can be dated to this period in the early 1930s. During the subsequent fifty years, Turkish leaders muddled through; neither failing abjectly in the pursuit of national development, nor achieving the successes on display in countries like Korea or Taiwan. Why did Turkey's past model of business-state relations produce such lackluster results for so long?

Considering the Turkish developmental strategies in comparison to others may give us an inkling. According to the scholar Peter Evans, a strong state is required for a society to achieve sustained growth and development. Such states must be sufficiently independent of society that they can enforce cooperation between a multitude of divergent class interests, but—and this aspect is crucial—simultaneously “embedded in [a] concrete set of social ties that bind the state to society,” thereby ensuring that its policies are effectively implemented.²⁶

In Evans' argument, the most successful of such states are those that play the role of “midwife” or practice “husbandry” over national firms by assisting and, if necessary, directing the development of the private sector. Being “embedded” allows states the ability to effectively play these roles. Less successful are those states that, doubting the capacity of their national business class to effectively drive development, play the role of “demiurge” by standing at a remove from society and establishing themselves in the marketplace as producers, competing with private firms. Yet *that* is precisely what Turkish leaders chose to do. First under etatism, and afterwards under import substitution industrialization (ISI), state elites attempted to dictate to the society, and establish monopolistic state owned enterprises.²⁷ Democratic and associational structures that might, in other countries, have resulted from a give and take between masses and elites

²⁶ Evans (1995), p. 12. Although Evans is used throughout this paper as a framework, too close a comparison has its problems. In both *Embedded Autonomy* and *Dependent Development* Evans focuses on countries that had a history of colonialism. Once formal colonialism ends in such countries, the state (and military) assumed the role of providing the security necessary for development, and for the continued flow of FDI that sustained development requires. Though that pattern of military-state domination holds true in Turkey, the legacy of colonialism complicates matters. Exogenous factors come into play. In his study of Korea—which is also Evans' focus—Donald Kang (2002: 186) observes that the balance of state-business power is a result of the colonial legacy—land reform made the economic order more “equitable” at the start.

²⁷ Interestingly, Barkey (1990) speaks a great deal of how “ISI is dependent on the existence of an autonomous state” and concludes that the program failed in Turkey because the state lacked “autonomy.” “Embeddedness” is not an emphasis and, if anything, his conclusion might suggest that the Turkish state was over-embedded in the 1970s.

were instead introduced as “reforms from above,” thus denying the population an active role in the shaping the state.²⁸

“Coherence”—both of the state and the business community—is another quality that authors, like Evans, emphasize as being crucial for economic development. Scholars agree that, as with embeddedness, the Turkish state has faced serious difficulties in achieving this quality; time and again, Turkish society and its institutions have tended toward fracture and fragmentation. Henri Barkey has illustrated how sectoral divides led to a multitude of divergent demands in the 1970s, overwhelming politicians, while İşik Özel’s account of 1980s Turkey observes that the business community lacked a unified message.²⁹ Bereft of either an “embeddedly autonomous” state or “corporate cohesion,” Turkey careened from crisis to crisis for many decades.³⁰

To a large extent, Turkish leaders had little choice; the very policies that produced this fragmentation and dis-embeddedness were precisely the policies that leaders had imagined would be *most* conducive towards development. Lacking an indigenous class of industrialists who might lead the developmental charge, Turkish leaders had to create one. In her book, *State and Business in Modern Turkey*, Ayşe Buğra details how Atatürk and his successors sought to construct such a class—often encouraging members of the state bureaucracy to plunge into the private sphere as entrepreneurs. The process that gave birth to a business class, however, had many negative side-effects for long-term Turkish development: businessmen in Turkey were left uncertain as to their proper role in society. Since the entire class’ existence was merely a function of national development it remained unclear how free its members were to act in a self-interested manner, free of state polices, and independent of the public good.³¹

The dependence of business on the state left firms at the mercy of changing government policies. Those businesses best able to adapt were large-scale firms, which

²⁸ Keydar, p. 208.

²⁹ Much of the account of ISI to follow is a summary of Barkey (1990) and Özel (2006).

³⁰ Although it is outside the scope of an already sprawling paper, I would argue that, during the 1990s, the Turkish state became increasingly divided on account of its efforts to suppress Kurdish unrest in the southeast. With military-security-political-intelligence-mafia-business networks all interacting, coherent state action became increasingly difficult. The AKP’s ongoing attempts to assert unitary control over the state in order to assure coherent action is another important framework through which to consider the past decade. Tim Jacoby’s “Semi-Authoritarian Incorporation and Autocratic Militarism in Turkey,” in *Development and Change* (Vol. 36. No. 4. 2005. P. 641) shaped my thinking on this point a great deal.

³¹ Buğra, “Political and Institutional Context of Business Activity,” p. 234.

could shift resources from one sector to another when necessary. Consequently, industrial business in Turkey became highly concentrated among a number of large holding companies. The need to anticipate state plans led the heads of these firms to form highly personal relationships with bureaucrats and politicians, and this personalization of business tended to inhibit Turkish corporations from developing along the professionalized lines of firms in America and Europe.³² Cozy relationships between state leaders and large firms provoked protests from many smaller firms—many located in Anatolia. The 1969 TOBB elections proved to be a flashpoint for these disagreements.

TOBB (the Union of Chambers and Commodity Exchanges) was a quasi-governmental association, key to the maintenance of ISI policies.³³ It administered the allocation of quotas and licenses, which companies needed to purchase and sell goods abroad.³⁴ The allocation of import licenses was based on a company's industrial capacity. Capacity was monitored by the TOBB, and TOBB was composed of the very companies *seeking* licenses.³⁵ Large holding companies were able to increase their quota allocations by expanding their capacity to levels smaller firms could not match and, if that failed, by utilizing their political connections.

In 1969, small firms demanding a more equal allocation of quotas backed Necmettin Erbakan for the presidency of TOBB.³⁶ Erbakan, a member of the governing Justice Party (AP) who held a doctorate in engineering, taught at a university, and managed an automobile company was a minor player in Turkish politics and most certainly *not* the AP's choice to head TOBB. Though he won, the party refused to recognize him as TOBB's president and nominated their own candidate. During the ensuing standoff, the Turkish public grew to know Erbakan and his political style, which included an emphasis on Islam and a tendency toward pronouncements like, "The AP, at its highest levels, is in the hand of the Masonic brotherhood."³⁷

³² See Tatoğlu, for example.

³³ During the 1940s, the state had passed legislation giving the Ministry of Trade a great deal of control over associational life in Turkey. The Democrat Party undid much of this upon coming to power in the 1950s, but it actually *strengthened* the political control exercised over TOBB's elections (Özel, 2006: 162)

³⁴ Manufacturing companies, for example, needed intermediate goods and while some goods, like cement, could be supplied by state run enterprises, many others required importation from abroad and import credits were in limited supply.

³⁵ And, ultimately, the TOBB was controlled by politicians tied to those companies.

³⁶ For a discussion, see Barkey (1990), p. 132 and Güllalp (1999), pp. 32-3.

³⁷ "Erbakan," *Milliyet*, 8/17/69, p. 7.

The confrontation ended with Erbakan resigning his post and deferring to the AP's candidate in return for future promises of non-interference in TOBB elections. Erbakan, now a national figure, stood for election as an independent candidate. Upon being elected he formed his own party, the National Order Party (MNP) as the political wing of a far larger Islamist movement termed the National Outlook Movement (NOM). Although the MNP was banned during the 1971 coup, it was reconstituted as "the MSP" within a few years. By calling for increased development in the country's interior and decreased dependence on Europe, which was associated with Zionism and Masonry, Erbakan's parties appealed to those Turks who felt left behind by ISI. During the following decade, brandishing slogans like "Spirituality and Morality First," and "Heavy Industry Drive" the movement grew in popularity.³⁸

The rise of Erbakan's Islamist movement was but one element of a larger fragmentation that occurred in Turkish politics during the 1970s—particularly on the right, which was split between the AP, the MSP, and the super-nationalist MHP. It would be over-simplification to say that ISI was the sole cause—certainly, larger global trends also influenced the left-wing protest, labor activism, ethnically-based claims, and nationalist responses, which engulfed the country—but the competition for limited resources engendered by ISI, and the assumption among claimants that the state was capable of addressing their demands, played an important role. Ironically, as Henri Barkey observes, these claims were unsuccessful; "The state was not manipulated by private sector interests . . . it was overwhelmed with demands."³⁹

Clearly, the dynamics of the 1970s were unsustainable. The attempt to seal off the economy from outside influences was beyond the capacity of the Turkish state—or any state for that matter. After 1980, Turkish leaders opened up the economy to international capital, thus altering the context in which the state and business interests interacted. This opening offered new opportunities to previously marginalized individuals, groups, and networks such as Kurds, nationalists, and—crucial to our focus—pious businessmen.

³⁸ Çakır, p. 23.

³⁹ Barkey, p. 168.

V. Decline of the Welfare State, Rise of the Welfare Party⁴⁰

The current Turkish government is composed of politicians who came of political-age in the 1980s and 1990s; many had held important positions in national and municipal governments by 1997. The rise to prominence of these new groups met with stiff reaction from entrenched elites, and many of these politicians and businessmen were targeted during the “February 28th Process,” an attempt by traditional state elites to reassert their primacy. Such experiences are not forgotten in a single decade. The policies of the ruling AKP cannot be understood independent of Turgut Özal’s reforms of the early 1980s and the rise of Necmettin Erbakan’s Welfare Party during the following decade.

In popular analysis, the “iconoclastic” Özal era is depicted as a break with all that ISI represented.⁴¹ Yet Özal did not reduce the power of the state so much as he reoriented its focus from the domestic market to the international market in a frantic search for foreign currency—in the words of scholar İşik Özel, “*de jure* Washington consensus turned into *de facto* mercantilism.”⁴² By devaluing the Turkish lira, he encouraged Turks abroad to send their foreign currency home as remittances; by allowing the establishment of Islamic banks he further increased the sources for potential investment in Turkey and Turks’ own access to capital; by opening the tourist flood gates, he played midwife to a new sector where Turkey could compete; through a vigorous campaign of foreign trips, he secured new markets for Turkish businesses.

None of this removed the state’s influence from the private sector, instead it was a process of using state power to benefit a new constellation of companies—those well suited for export, “as in the case of the textile industries, or [those] involved in Middle East construction projects where a company’s religious affiliation mattered a great deal.”⁴³ In either case, the “same old logic of ‘creating-domestic business-out of [the]

⁴⁰ As Esping-Andersen (1990) defines it, the “welfare state” is a bulwark against the commoditization of the individual. States vary in the degrees to which they achieve this de-commodification. US institutions, for example, are particularly bad at protecting citizens from utter dependence on the market economy for survival. The greatest criticism of “neoliberalism” is, thus, that by removing the state from the social welfare sphere, it commoditizes individuals.

⁴¹ Kinzer (2002), p. 160. The Popes (1998) refer to the period as the “Özal Revolution. Academic scholars often agree: Ziya Öniş asserts that “a profound shift in philosophy occurred” (Heper 28 [1991]).

⁴² Özel, p. 148.

⁴³ Barkey, p. 178.

state's pocket” through clientelist relations persisted.⁴⁴ State leaders failed to form meaningful partnerships with the business community as a whole. Instead, Özal and his allies remained at a remove from Turkish society. Consequently, their policies became erratic and capricious. This imperious behavior led many large businesses to turn against Özal and increasingly support his rivals over the course of the 1980s.

Rather than adhering to a set of rigid policies, Özal and his party, ANAP, increasingly allowed electoral concerns to guide policy, causing some scholars to question their commitment to rolling back the state. Henri Barkey observes that ISI had, in many ways, weakened politicians by overwhelming them with sectoral demands; diminishing its scope gave politicians *more* freedom of action.⁴⁵ Metin Heper too argues that much of the era's “privatization” was merely decentralization, an attempt to marginalize the central bureaucracy and empower Özal's allies in local government. Among those able to capitalize on this decentralization were Islamists and nationalists who had found their way into Özal's coalition after military-enforced party closures left them politically-homeless. These groups used ANAP as a vehicle to slowly colonize the bureaucratic apparatus.⁴⁶

While a thoroughgoing privatization did not occur during the Özal era, liberalization did—albeit in stages. During the early eighties, the country opened up to foreign capital, but not foreign products. During the tail end of the decade, the Turkish domestic market itself was opened up to increasing foreign competition. The benefits of this liberalization were unequally distributed: Huge conglomerates were able to switch their focus to foreign trade and survive increasing competition in the domestic market. Firms that had depended on a captive home market were less well equipped and frequently went bankrupt—unless they were tied to larger, influential conglomerates.⁴⁷

The other group that benefited significantly from Özal's reforms was composed of businessmen from Anatolia.⁴⁸ Long starved of capital and cut off from the access to power enjoyed by their peers in Istanbul and Izmir, these businessmen now found

⁴⁴ Özal, p. 150.

⁴⁵ Barkey, p. 168.

⁴⁶ Heper (1991), pp. 163-4.

⁴⁷ The large steel-maker Aşıl Celik, for example, was backed by Koç Holdings and, thus, able to secure government support when liberalization revealed its true uncompetitiveness.

⁴⁸ See Filiztekin and Tunalı (1999), Güllalp (2001), Özcan (2003), Uygur (2009), İşik (2010), and Höşgür (201) for analysis of Anatolian businessmen.

themselves with several particular advantages. First, a generation of Turks with rural roots was now living abroad, earning foreign currency. Anatolian businessmen could tap these emigrants for capital.⁴⁹ Second, opening up the banking system to Islamic finance offered associational networks, long disconnected from capital, new methods of accessing it.⁵⁰ Finally, religious bonds gave Anatolian businessmen a competitive edge in accessing markets in Middle East and North Africa region.



Erdoğan and Erbakan

Where businessmen saw potential financial gain, politicians sensed electoral advantage. Whereas companies set up offices in emigrant communities in order to find investors, Erbakan's NOM set up offices to find campaign donors. Access to capital independent of the state allowed Anatolian businessmen to develop a degree of

⁴⁹ Adaş, pp. 627-31 details the process by which Islamic holding companies accumulated capital via these transnational networks, presenting the process as an example of how the Turkish governments of the 1980s allowed these Islamic networks space to build both social and financial capital.

⁵⁰ Not that businessmen were previously abjuring capital in the name of religious principle, rather capital now accessible via a new set of networks—those based along lines of Islamic sociability.

independence from entrenched political elites.⁵¹ Erbakan's NOM, now contesting elections under the banner of the Welfare Party (RP), increased its vote share with each election. By the late 1980s it was gaining control of small municipalities where Özal's decentralization reforms permitted pious politicians the power to push pet policies, like alcohol bans. In 1994 the RP won control of the country's largest cities—Istanbul and Ankara. By 1996 it was strong enough at the national level to take the dominant position in a coalition government, making Erbakan Turkey's first "Islamist" prime minister.⁵²

As the earlier example of Ülker suggests, the RP's rise was dependent on the support of sympathetic businessmen and their associations. Most prominent among the RP's associational allies was MÜSİAD. Founded in 1990, and presented as a small-business alternative to TÜSİAD, it was posited to offer a moral alternative to TÜSİAD's purely capitalist—and implicitly cronyist—practices.⁵³ Opposition to the RP (and to the emerging class of pious businessmen it represented) was led by a coalition of more entrenched elites—the army, leading politicians, large businesses, and laicist elites in the media and academy.⁵⁴

News outlets, particularly those owned by media mogul Aydın Doğan, ran negative stories and investigations of the party. Doğan Publishing Group even published an open letter to Erbakan challenging his commitment to Turkey's secular values.⁵⁵ Within six months of the Erbakan government's formation, the military was already meeting to plan possible coup scenarios. At the January 28th National Security Council meeting, the military leadership called on the government to curb "divisive and subversive" radio and television broadcasts—a veiled reference to religious

⁵¹ Golden (2004), taking Northern Italy as here focus, suggests that the exposure of small firms to opportunities in international markets puts them in opposition to large rent-seeking corporations. By this logic, the Islamic bourgeoisie would be against rent-seeking in both rhetoric and practice, as it doesn't help them compete.

⁵² By 1996 Turkish politics had become fractured between warring right-wing parties—Özal's ANAP, now led by Mesut Yılmaz, and President Demirel's True Path Party (DYP) led by Tansu Çiller. Critics of Çiller attributed her decision to form such a counter-intuitive coalition with Erbakan to her need to maintain immunity and avoid corruption investigations.

⁵³ MÜSİAD was more than a coalition of small businesses. Large businesses were well represented: Its first president, Erol Yazar, was the owner of Atom Chemical Group. Much like his peer Murat Ülker, his father too had been a founding member of TÜSİAD.

⁵⁴ I choose laicist rather than "secular" here because the latter would suggest that those elites hostile to the RP (and currently the AKP) are somehow opposed to religion in general. More fair to say that they are opposed to a religious logic dominating the state and prefer a model wherein the state dominates the religious sphere. See Keyman (2007) for a discussion.

⁵⁵ "Açıklama." *Milliyet*. 3/16/97. Pg. 1.

programming.⁵⁶ Within a few days, the military announced its intention to submit a report on religious organizations at the February meeting. The following weeks saw pro-secularism demonstrations from women's groups and academics.

True to its word, the military leadership submitted its report on February 28th along with a proposal to extend mandatory public schooling from five to eight years, effectively putting the country's private religious schools out of business. Other military "advice" included government oversight of all Koran courses and a halt to fund transfers from NOM to municipal governments.⁵⁷ Although Erbakan initially refused to sign-off on the reform packet, he ultimately caved.

Sensing that they possessed the upper hand, military leaders and elites allies in the bureaucracy applied greater pressure. In late May the Solicitor General applied to the Supreme Court to have the RP closed on the grounds that its behavior was opposed to secularism. In early June, army spokesmen called for a boycott of products from major companies with ties to Islamic politics—Kombassan, Yimpaş, Ülker, and İhlas specifically, and MÜSİAD members in general. By the middle of the month, Kombassan's assets had been frozen. The following day, Erbakan announced he would step down as prime minister and dissolve his government.

Rather than signal the end of the "February 28th process," the fall of the RP government merely emboldened its opponents. With the RP out of the governing coalition, its partner, the True Path Party, formed a new government with ANAP. This right-wing coalition oversaw a culling of RP-connected civil servants and the implementation of the army's suggested educational reforms.⁵⁸ Over the following six months, the focus of investigations broadened. In August, the offices of the RP's youth wing were raided. By December 1997, the Solicitor General's office had turned its attention to Erdoğan, still mayor of Istanbul at the time. Investigations were opened into patronage and cronyism at İGDAS, the city gas company, and İSKİ, the city water authority. Suspiciously cheap land sales from Kombassan to Erdoğan came under review;

⁵⁶ "MGK'dan tarihi kararlar." *Milliyet*, 1/28/1997.

⁵⁷ "Hükümete taviz yok." *Milliyet*. 3/31/03.

⁵⁸ Independent of government legislation, universities passed new bylaws banning headscarves on campus.

and a series of television ads aired on RP-allied Channel 7 promoting municipal institutions were scrutinized for potentially illegal funding.⁵⁹

Early in December, Erdoğan visited the southeastern town of Siirt—his wife’s hometown. There, at a rally, he decried the lack of “freedom of thought” in Turkey and paraphrased a poem by famous Turkish nationalist Ziya Gökalp that used Islamic imagery, inserting the line “the minarets our bayonets, the mosques our barracks!”⁶⁰ For these remarks he was prosecuted for “provoking animosity” based on religion, convicted, and sentenced to ten months in prison. Less than five years later he had become prime minister.

Which brings us to the present moment. Thus far, this paper has emphasized the past: The failure of previous governments due to an overly autonomous state and a business community lacking a coherent voice; the manner in which the connections that did exist between state and business were limited to a small number of large firms connected to political leaders, and resented by large numbers of small and medium sized companies; how the policies of the Özal era offered these marginalized businessmen opportunities to grow; and how, as they grew in influence and began to put forward politicians who challenged entrenched governing elites, those elites rallied to maintain state autonomy.⁶¹

The remainder of this paper will focus on how the AKP has succeeded where others have failed. I will argue that—like many successful developmental state governments—the AKP has managed to find the right balance of autonomy and embeddedness.

VI. Creating an Economically Just Order

Since assuming power in 2002, Erdoğan’s AKP has overseen a period of rapid economic growth.⁶² Though structural problems still bedevil the economy, optimism

⁵⁹ Arife Avcu. “Erdoğan soruşturma kışkacında.” *Milliyet*. 12/8/97. Pg. 19. A subsequent investigation, initiated while Erdoğan was in prison, sought to account for 2.5 trillion lira in free bus passes that had gone unaccounted for—allegedly directed toward Erdoğan’s allies. (Nedim Sener. “Akibil’de 2.5 trilyon lira buharlaştı.” *Milliyet*. 12/19/2000)

⁶⁰ Metin Demirel and Ali Bilgi. “Minareler süngümüz, camiler kışlamız.” *Milliyet*. 12//97. Pg. 14

⁶¹ Adaş (2009).

⁶² According to OECD statistics, the GDP per capita has risen from \$8800 to \$15000 since 2003. Growth had begun to occur in the late 1990s, but the rate of change since 2005 is astonishing.

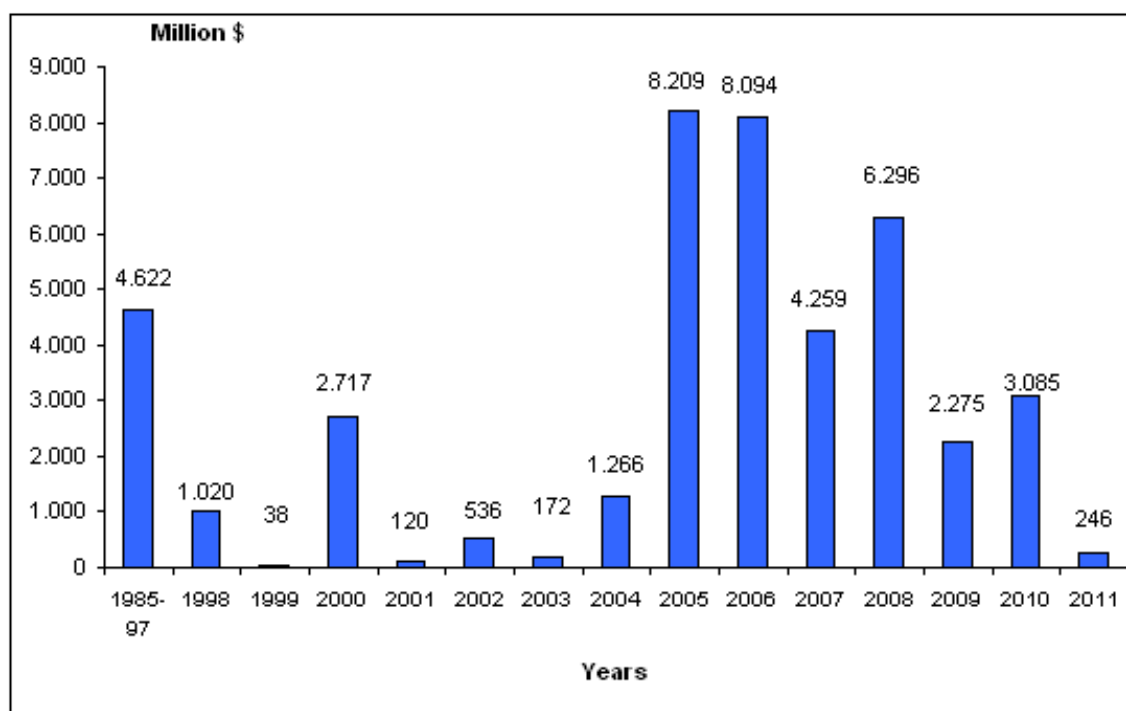
seems largely justified.⁶³ Turkish construction companies are at work across the Middle East and beyond, Turkish textiles remain competitive in European markets, and Turkish cultural products, like music and soap operas, have found audiences beyond the nation's borders. These changes—both political and economic—are closely connected.

In the case of politics, the years lying between February 28, 1997 and AKP's election victory in November of 2002 saw a number of watershed events.⁶⁴ The capture of Kurdish separatist leader Abdullah Ocalan in 1999, and the subsequent winding down of fighting in the Kurdish southeast, reduced the salience of "security" as a political issue. A terrible earthquake in 2000 brought public attention to corruption in the housing market and called into question the effectiveness of the military given their ineffective handling of it. Most important for our purposes, however, was the 2001 financial crisis, which forced Turkish leaders to implement IMF-recommended liberalization policies on a scale that would have otherwise been politically impossible.

The number of privatizations shot up over the following several years—2005 representing the peak thus far. By transferring state resources to the private sector Turkish leaders have not necessarily limited their ability to dictate economic winners and losers. Selling off state industries offers politicians ample opportunities to enrich their allies in the business community. And, even after the process of privatization runs its course, a government retains multiple methods of aiding privileged allies: in the case of Turkey these include foreign trade missions, consultations with local businessmen's associations, targeted regulations, and regional development projects—all of which can benefit some to the exclusion of others.

⁶³ These problems are laid out in numerous IMF Article IV reports, the most recent here: <http://www.imf.org/external/pubs/ft/scr/2012/cr1216.pdf> (accessed 3/25/12)

⁶⁴ Many scholars emphasize the period between the RP's closure and the AKP's formation as a period of rethinking in the Islamic political movement. Çinar and Duran (2008) suggest that the RP "failed to come to terms with the fact that the majority of Turks do not practice Islam in the way the party hoped" (30). Others suggest that Erbakan and his clique were out-of-touch. As Varol puts it, "Erbakan was talking about an Islamic dinar and the union of the Islamic world in the 90s, but [the RP's] social base used the Euro and American Dollar, and did business with European countries." (72) It is in this context that Erdoğan's reformist-wing of the party grew in strength, ultimately supplanting the old-guard.



Privatizations (in Millions USD) 1985-2011⁶⁵

These methods of aiding allies are largely done through legal means.. While opposition parties and journalists have levied numerous accusations of corruption against the AKP, taken as a whole, instances of corruption suggest less a systematic attempt to enrich chosen allies, than they do the sort of small-bore situational insider-dealing one might expect from any political party.⁶⁶ That the AKP-era is rife with examples of members of the party and their families turning position into profit, suggests that removing the formal hand of the state from the economy—the process of privatization—can be used to aid a governing party’s allies and, thus, serve to strengthen the party’s *informal* control of the market.⁶⁷

To take but one example: In 2005, at the height of the AKP’s privatization drive, Pamuklu Mensucat A.S—a textile company manufacturing cotton goods, was sold off

⁶⁵ 2011 is only partial. This graph is taken from the Privatization Ministry (OİB) website:

http://www.oib.gov.tr/program/uygulamalar/1985-2004_years_table.htm (accessed 4/1/12)

⁶⁶ Though listing all would be tedious, a good—albeit highly partisan—list has been compiled at:

<http://akpartigercegi.wordpress.com/akp-ve-yolsuzluk/>

⁶⁷ By “informal control” I mean to suggest that the line between AKP politicians seeking to control the state and the networks of Islam oriented businessmen with whom they are connected is not so clear that one can describe neoliberalism as weakening “state” power and empowering the market. The market and the state contain many of the same actors.

for \$3.7 million. The company was owned by Sümerbank. The “bank” had been founded in 1932 as part of the government’s etatist policies. Among the many products it manufactured were uniforms, tents, and parachutes for the army.⁶⁸ With time, Sümerbank expanded into chemicals, plastics, steel, and paint production as well as establishing a series of stores throughout the country to sell its textile goods.⁶⁹ From the 1980s onwards this process of expansion was rolled back as various portions were sold off. Pamuklu Mensucat A.S and the parcels of land attached to it were fairly typical candidates for privatization; however, their sale in July to a consortium of local businessmen—the Manisa Partnership Enterprise Group (OGG)—met with fierce criticism. Within five months of the privatization, the OGG had agreed to sell part of the company to TESCO-Kipa, a Turco-Brtish supermarket chain for \$13.7 million and another portion to Redevco, a Dutch retailer, for another \$46 million.

The company had clearly been privatized at well below its market value. Opposition politicians cried foul, pointing out that Manisa’s AKP mayor, Bülent Kar, was, in fact, the chairman of the OGG. The sale of the factory was withdrawn. Though, in court, the mayor was acquitted of abusing his position, in the 2009 local elections he was defeated by a candidate from the rival National Action Party, who subsequently demanded that the OGG return the rest of its ill-gotten gains.⁷⁰ The whole incident is fairly typical and suggests that, under the pressures of the country’s partisan politics, the most flagrant conflicts of interest are often identified. Yet it also demonstrates how much of this ethically questionable activity is permissible under Turkish law. Numerous legal means exist for the AKP to expand the opportunities available to its business allies.

One such tool at the government’s disposal is the awarding of public procurements—public-works projects bidded out to private contractors. As “development” is at the heart of the AKP agenda, each election cycle conveniently brings

⁶⁸ Info about the Sümerbank is available at: <http://www.sumerholding.gov.tr/tarihce.html>. The company was eventually sold off to OYAK, the army’s own holding company—perhaps the army saw possibilities for vertical integration.

⁶⁹ For details on the ultimate privatization of these stores, see Mehmet Karaaslan, “Privatization by Franchising: Commissioned Entrepreneurs,” *Business Research Global Perspectives*, Vol. 15, 2008, Available at: <http://blue.utb.edu/lfalk/2008BRY.pdf>

⁷⁰ Although AKP politicians were gracious in their defeat, within eight months, the government electricity provider, TEDAŞ, had decided to finally demand that the municipality pay back years of back payments and, as a penalty, temporarily cut service. Understandably, the new mayor questioned the timing. (Evren Kasırğa, “Manisa Belediyesi’nin elektrikleri kesildi,” *Hurriyet*, 8/13/09.)

with it a new set of these promised infrastructure projects—new roads, new stadiums, new bridges, new transportation, new low-cost housing. And every new project requires an army of contractors and subcontractors. Historically the process of bidding these projects has been rife with opportunities to reward one’s political allies.

Instituting laws making the process more transparent and fair was among the IMF and EU’s demands after the financial crisis. A Public Procurements Law was debated in the legislature over the course of 2002 and scheduled to come into effect on January 1, 2003. Upon entering office in November, however, the AKP attempted to postpone it for several more months. Ostensibly, this delay would be necessary in order to fine-tune the law and, it was argued, avoid delaying a number of important infrastructure projects whose rapid implementation the party had promised during the campaign.⁷¹ Critics saw the postponement as the party’s ham-fisted attempt dole out contracts to its supporters free from oversight. The IMF shared these concerns and emphasized the need for the Turkish government to move ahead with the law’s implementation. The AKP leadership backed down and allowed the law to come into effect.⁷²

Within six months, though, the law was brought up once more for alteration. The main thrust of the amendments was to protect sectors in which state owned enterprises competed from oversight. But also included among the amendments was a clause allowing Islamic banking institutions to act as guarantors in the contracting process.⁷³ As critics observed, the measure was clearly designed to benefit Islamic banks and firms connected with them—in other words the AKP’s base. Yet the amendment is telling: The banks had been legally operating for nearly twenty years; their previous inability to provide collateral in support of their customers’ bids had merely served to entrench one set of business-financial networks over another. The AKP, by increasing opportunities for

⁷¹ This “Emergency Action Plan” sought to reduce unemployment through new building projects and soliciting FDI. The former was criticized by Nihat Özdemir, the head of the Turkish Contractor’s Union, for lacking sufficient funds—such unfunded projects, he worried, could turn Turkey into a “project graveyard.” The latter was unpopular with MÜSİAD whose members preferred increased government spending on small businesses—regardless of the inflationary risk.

⁷² Ercan and Oguz (2006) make the argument that the whole 2002 procurement law should be understood as a clash between global capital (which sought to open procurement up to international competition) and domestic capital, represented by the AKP (which sought to protect local business from the a Darwinian neoliberal order). For the authors, the issue of patronage and cronyism does not play a major role.

⁷³ “Commission adopts amendments to procurement law.” *Turkish Daily News*, 7/26/2003; Devlet İhale Kanunu Madde 23b [clause 23b] Available: <http://www.mevzuat.adalet.gov.tr/html/637.html>

Islamic financing, was simply creating a space for pious Muslims in the national economic sphere.

Allowing Islamic banks to issue guarantees has created some difficulties, however. By 2008 rising costs for inputs, like iron and gasoline, had placed contractors in a difficult position. The terms at which they had bid contracts were now drastically lower than their predicted costs. If these companies went bankrupt, it would leave Islamic banks holding sizeable liabilities. In order avoid such a domino effect, the AKP passed an addendum to a large employment-stimulus bill authorizing payments to contractors in order to account for inflation. The law protected both contractors and the banks that had vouched for them.⁷⁴

Another set of alterations to the procurement law in 2008 served to strengthen the government's ability to pick winners and losers. These changes limited the size of contracts over which complaints could be filed—the head of the Public Procurement Commission argued that that the institution was being overwhelmed with frivolous complaints. Other changes allowed the government to avoid the bidding process in situations where a certain company possessed unique competence.⁷⁵

There were, of course, many occasions when public procurement contracts were clearly not awarded to those with any “unique competence,” but rather to individuals and groups whose chief strength was the quality of their political connections. On some occasions, these awards were transparently political. In one such case, Ekrim Construction won a contract worth millions of lira to refurbish ten train stations. Its owner, Emine Alioğlu, was a member of the AKP women's association and had established the company only a year earlier. It soon emerged, however, that this successful contractor was somehow also enrolled in the government's “Green Card” welfare program. The failure to properly vet Alioğlu suggests that party membership alone had largely assured her award. In numerous other (admittedly less blatant) cases, AKP members, or firms associated with their families, secured procurements.⁷⁶

⁷⁴ Kivanç, Ahmet. “TOKI müteahhitlerini ve faizsiz bankaları kurtarma operasyonu.” *Radikal*. 6/5/2008. Thanks to Zeynep Aydoğan and Kaslı for double-checking my reading comprehension skills on this one.

⁷⁵ “Kamu İhale Kanunu'nda yolsuzluğa kapı açılıyor,” *Hurriyet*, 5/15/08.

⁷⁶ A detailed list of such dubious awards can be seen at: <http://blog.milliyet.com.tr/akp-gercegi---5--/Blog/?BlogNo=103419>

Accusations of corrupt practices are leveled most frequently against the Housing and Development Administration (TOKİ), which oversees the building of low-income houses. Critics generally argue that TOKİ gives preference to contractors who are members of either MÜSİAD, or TUSKON, a similar association with a more international focus. Among the most damning of these accounts appears in a book called *AKP's Contractors* by Harun Gürek, who painstakingly reviews the most successful contractors and details their ties to the government.⁷⁷ Gürek concludes, however, that corruption is neither unique to the AKP nor particularly excessive under its rule.⁷⁸

Membership in these organizations, which is often depicted as evidence of collusion, may be better depicted as something else entirely: embeddedness. Consider TUSKON, an umbrella organization uniting seven different regional federations, composed of around 150 entrepreneurs associations that includes nearly 15,000 member firms. The organization's goal is to promote trade relations with countries outside Europe or North America—particularly those in Africa and Southeast Asia.⁷⁹ Since its founding in 2005, its main tactics have included organizing international trade forums and sending groups of businessmen along with state leaders on trade missions.

Of TUSKON's forums, its annual World Trade Bridge conference in Istanbul is the largest. Since the first in 2009, each year has seen thousands of businessmen from around the world descend on the city to strike trade deals. Erdoğan gave the keynote address at the inaugural forum, and Economy Minister Zafer Çağlayan has attended the subsequent three. In the case of trade missions, Çağlayan has led numerous trips each year to countries around the world.⁸⁰ These trips include sizeable numbers of businessmen. Typically, DEİK, a quasi-governmental organization established under the

⁷⁷ He further observes that 7.9% of companies that won bids—thirty-six distinct firms in total—accounted for 47.5% of the total bid money issued out to the private sector via the public procurement process (Gürek 125). Not all of these companies have Islamic roots. Against many of them, the strongest criticism he levels is that they are close to the government—the nature of the connection unspecified. It would be surprising if a firm like, say, Cengiz Construction, which received around 600 million YTL was *not* friendly with politicians (Gürek 170-1).

⁷⁸ This is my impression as well. However, Jenkins (2008), whose work I greatly respect, argues that, “Since the AKP took power, the levels of nepotism and corruption in the awarding of state contracts have steadily increased to the point where they are not comparable with previous administrations” (262 fn6).

⁷⁹ Buğra and Savaşkan, p. 104. As Hendrick (2009: 147) observes, these countries are also home to numerous Gülen schools. Baran (2010), likewise characterizes TUSKON as a “Gülen organization” whose members use their “network and its ties to the government to secure trade and investment privileges” (85).

⁸⁰ See the Ministry of the Economy list available at:

<http://www.ekonomi.gov.tr/index.cfm?sayfa=sektorelheyetler> (accessed 4/23/12)

Özal administration, took the lead in organizing these trips, but, in recent years, other organizations have taken the initiative.⁸¹ Some trade missions have been organized by MÜSİAD or TUSKON, but, in recent years, the largest number have been organized by the Turkish Exporters Congress (TİM), whose president runs a MÜSİAD-affiliated company.

Not that association with MÜSİAD *proves* that an organization is closely connected with the AKP. In point of fact, of TİM's eight board members, only a quarter represent MÜSİAD-member firms.⁸² Rather these over-lapping roles suggest the degree to which pious businessmen have become integrated into the array of institutions that coordinate economic growth. Their leadership roles in organizations that do not define themselves in religious terms also suggests that pious businessmen can be members in good standing in the Turkish business community.

It was not always this way, of course. Long marginalized, many firms were forced to develop their skills either in other countries, or as part of an “Islamic subeconomy” within Turkey.⁸³ Though now increasingly integrated into the larger economy, many of these firms built themselves up with the aid in social networks, oriented around Islamic practice. The following section seeks to understand the contours of these networks.

VII. “Islam Oriented” Networks in Action

Over the past several years, the Istanbul municipal government has been privatizing portions of its transportation network. Such privatizations serve many purposes: On the one hand, the municipality was some 5 billion YTL in debt as of mid-2011 and selling off public utilities helps balance the books.⁸⁴ On the other hand, as critics would have it, privatizations allow the AKP to sell off key service providers to its allies. Considering a recent—seemingly trivial—example, should help illustrate the way

⁸¹ Atlı, pp. 113-6. He adds that while President Sezer, who served until 2007 and opposed the AKP, “was rather unsympathetic towards the participation of businessmen in official matters of the state,” there has been a marked increase in these trips under President Gül (119).

⁸² At least according to a cross-reference of their biographies (available at the TİM website) with the MÜSİAD member e-catalogue (available on its website).

⁸³ See Kuran (1995).

⁸⁴ Financial arguments (as well as ones emphasizing potential efficiency gains) also undergirded the arguments that the IMF was making to Turkish national leaders—and loans from the institution were often conditioned on continuing privatization initiatives.

in which both factors are important: International pressures and economic necessity are leading to numerous privatizations and these privatizations are occurring in a business environment increasingly characterized by the active involvement of pious businessmen, their companies, their organizations, and their political allies, all of which form networks oriented around an Islamic sociability.

Until January 2012, the Havaş company ran a shuttle bus from Istanbul's Ataturk Airport to the city's central Taksim Square. In 2010 as part of a more general privatization of the city's public transportation network, the municipality awarded the contract to a joint partnership venture between Çimen Tour and Günaydın Tour. Contract in hand, the companies introduced their new shuttle service, "Havataş." Havaş continued running its service for another year until the city's Transportation Coordination Center ruled that it must halt all shuttle operations.

Though "hava" is the Turkish word for "air," and thus some degree of name-overlap might be excused, Havaş saw events otherwise and accused Havataş of copying its brand-name in order to confuse customers. Havataş, in turn, sued Havaş for infringing on its rights as a municipal contract-holder. *Yeni Safak*, a major pro-government daily, lent its voice in support of Havataş, publishing a series of articles in late 2011 criticizing Havaş's "pirate" activities and, more generally, its "impudence."⁸⁵

Such are the broad outlines of the argument. Yet these events are but one thread in a far more complicated web of relationships and rivalries.

Havaş is owned by Tepe-Aften Ventures (TAV). TAV was a partnership formed on 1997 as a response to the privatization of Istanbul's Ataturk Airport. The two companies pooled resources in order to effectively build and manage the airport's new terminal and the massive car park adjacent. The terminal's privatization was merely part of an ongoing process—in 1987, for example, ground handling services had been split off from catering services and placed in the hands of a publically-controlled company, Havaş. By 1995, control of this company had also been sold.⁸⁶ The first private company to own a controlling stake in Havaş was the Ciner Group, a large conglomerate with

⁸⁵ For example: "Havaş işten çekilmiyor ihaleyi kazanan mağdur," *Yeni Safak*, 8/11/12 and "Havaş yüzüzlüğü," *Yeni Safak*, 2/4/12

⁸⁶ Gereede, p.68. General information about Havaş is also available at its website (<http://www.havas.net/kurumsal/havas-hakkinda/>) and about TAV at its sight (<http://www.tavconstruction.com/tav/About-TAV/Profile/Tav-Construction-in-Brief.aspx>)

interests in areas as diverse as mining, media, and insurance. Over the following decade, stakes in the company trades hands until, by 2007, the ground-transportation service (including the shuttle bus) was fully in the hands of TAV.

Since TAV secured ownership, the shuttle service has been a source of controversy. Sensing demand, TAV increased the frequency of its shuttles. This move was opposed by the city's taxi drivers who had been making a tidy sum of money meeting the public's excess demand for airport service. The Istanbul Electric, Tram, and Tunnel Authority (IETT) entered into the argument on the side of the taxi drivers, banning Havaş busses from entering the airport, arguing that taxis, along with the city's own bus/tram services, were sufficient. TAV, however, rejected that the IETT had the authority to issue such a ban and continued its operations. In November 2010 IETT allowed private companies to bid on the right to run busses from the airport to the city center. At this point Çimen Tour and Günaydın Tour entered the picture.

Both companies are owned by the family of Ali Rıza Günaydın. Until his death in 2011 Günaydın *père* ran the firms in partnership with the Albayrak Group.⁸⁷ Albayrak is a large firm with interests extending to construction, services, logistics, textiles, and energy. All of these firms are members of MÜSİAD, the association of Islam-oriented businessmen—in fact, from 2004 to 2008, the CEO of Albayrak was the president of MÜSİAD. Prior to the AKP's electoral victory in 2002, the Albayrak Group was under investigation for winning procurement contracts through illegal means. The validity of the charges aside, the company had come under scrutiny on account of its connections to the wider Islamic political movement. For example, the Albayrak family owns *Yeni Safak*. The paper provides a platform for Islamist politicians and intellectuals. One, Sadık Albayrak—no relation to the larger Albayrak family—served as a member of the Welfare Party in the mid 1990s. In 2004, his son, Berat, married Erdoğan's daughter, Esra. And Berat, in addition to being the prime minister's son-in-law, is also CEO of Çalık Holding, one of Turkey's pre-eminent "Islamic" firms.

Like many "Islamic" firms the Çalık Group started out in the textile sector, but gradually expanded.⁸⁸ The end of the Cold War opened up new markets in Central Asia

⁸⁷ "Municipality halts shuttle to airport," *Turkish Daily News*, 1/16/12

⁸⁸ Minister of Finance Ali Babacan's family, for example, also owns a large textile company in Ankara.

to ambitious businessmen and Çalık managed to become the government of Turkmenistan's most favored construction firm. Continuing to focus on neighboring countries, the firm diversified into telecommunications in Albania;⁸⁹ its domestic focus was limited to the banking and finance sectors until the late 2000s when it entered into the media market, buying up television channels and newspapers.

At the very least, this unpacking of the Havaş shuttle closure reveals a web of relationships; sometimes close, sometimes tangential. Friendships dating back to student days, shared ties based around past political activism, business partnerships, and marriages are all among the bonds that unite various Turks into networks at whose core is an Islamic sociability. Significantly, these bonds were formed largely outside (or in opposition to) the state. Intellectuals, like Sadık Albayrak, formed relationships with politicians, like Erdoğan, while participating in a movement that imagined a different social ordering than what, at the time, existed.⁹⁰ Companies like Albayrak and Çalık benefited from shifting state priorities—like the export push of the Özal era—but they initially grew in an era where the state actively privileged a different set of businessmen. It was Turks lacking access to these privileges who provided politicians like Erbakan with great reservoirs of support.⁹¹

Thick networks of relationships between businessmen, politicians, and intellectuals muddy the terms by which corruption is easily defined and identified. Newspapers, blogs, and books revel in accusations and insinuations of corruption, but producing evidence is often difficult. Was Albayrak less qualified than its competitors to run shuttle buses? It seems unlikely given that its associated firms offered a high bid and since Albayrak itself had provided shuttle services to municipal employees for several decades. Is TAV being pushed out of the marketplace? Considering that the firm recently bid successfully for the Istanbul Sea Bus tender, this too seems unlikely. The thorniest question would be whether the Transportation Coordination Center unfairly ruled against TAV's Havaş shuttle service. Given the history of cozy relations between the AKP and

⁸⁹ Hendrick, p. 278.

⁹⁰ Metin Yüksel, "Başbakan'ın yazar ve gazeteci dünürü," *Hürriyet*, 3/21/04

⁹¹ Gülalp (2003) argues that the MSP and RP were "only opposed to monopolistic capitalism" and should not be mistaken for anti-capitalist parties (26)

Albayrak, a ruling in its favor certainly risks the *appearance* of impropriety, but the *actuality* is harder to discern.

Contrast this murky situation with the more straight-forward contretemps surrounding the sale of ATV-Sabah in 2008. This media group had been owned by the colorful businessman Cem Uzan and his family's holding company. The Uzans had been rather successful in the late 1990s, amassing a vast corporate empire, but by the early 2000s the firm had gone into a tailspin. First it lost a legal battle with Motorola, which accused it of perpetrating a massive fraud. Second, its sizeable debt placed many of its constituent parts in receivership under the supervision of Turkey's Savings Deposit Insurance Fund.⁹² When the Uzans media holdings were placed up for auction in 2008, the largest bid was offered by the Çalık Group.

Çalık had cobbled together its \$1.1 billion offer with a great deal of help from Erdoğan who had secured government loans in support of the deal and encouraged a Dubai-based firm to partner with Çalık. The prime minister's efforts seemed suspicious in light of his son-in-law's deep involvement in Çalık's media operations and the fact that the newspaper *Sabah* quickly shifted to a pro-government tone once the Çalık Group assumed ownership. As the paper never really won back its old followers, or made new converts, debts piled up. By early 2012, Çalık was actively looking to sell its recent purchase and the prime minister once again stepped in to assist by meeting with Rupert Murdoch and encouraging him to bid on ATV-Sabah.

The ATV-Sabah sale seems a far more clear-cut example of politicians seeking to shape the market, using the power of the state to shift the media world increasingly towards their own—in this case—Islamic sensibility. Though Çalık is not be a member of MÜSİAD and Çalık's media outlets are more pro-ruling party than pro-Islamist in their tone than are their peers like *Yeni Safak* or *Zaman*, the company is very much a part of Islam-oriented networks. To wit: it is the single largest shareholder in Bank Asya.⁹³

⁹² Cem Uzan claimed that the investigations of his company were politically motivated punishment for his entry into politics in the 2002 election. As Uzan would have it, the respectable showing of his Youth Party—though not sufficient to secure a single seat in parliament—had frightened the newly-elected AKP. When one remembers, however, that Uzan's entry into politics followed the beginning of his legal troubles, his political campaign begins to seem more an attempt to secure parliamentary immunity in order to avoid jail time.

⁹³ Hendrick, p. 276.

Bank Asya is unofficial banker to the Gülen movement; its purpose lies in “consolidating the [movement’s] financial resources.”⁹⁴ Gülenists—named for the charismatic imam whom they follow—are part of the larger Nurcu movement, which looks for meaning to the writings of early 20th century religious scholar Said Nursi. As with the larger Islamic movement in which it participates, the boundaries of the Gülen movement are rather ill-defined, and this amorphous quality lends itself to conspiratorial interpretations. Gülenists are said to be seeking control of the state and infiltrating the police force.

Lacking hard evidence to support such claims, it is better to simply observe that the Gülen movement lassoes a diverse array Turks together into a set of relationships based on shared religious interest. The movement and its members have created numerous institutions, which encourage and facilitate group cohesion. There are schools, television stations, newspapers, holding companies, and businesses associations. As scholar Joshua Hendricks carefully details, these institutions all assist one another in a multitude of ways. The same company that publishes Gülen’s writing and pocket-size compilations of Said Nursi’s writings will also produce the textbooks used in Gülen schools. An IT firm that designs Bank Asya’s computer system will be owned by the same holding company as the book publisher. The publisher and the schools will advertise in the pages of a Gülen affiliated newspaper.

Sponsorship is another means through which Gülenist organizations interact and support one another. Every year, the movement holds its “Turkish Olympics” where school children from Gülen schools around the world compete in their ability to recite Turkish poetry and perform a variety of Turkish cultural acts. Bank Asya is the primary underwriter for the event.⁹⁵ Bank Asya also finances the activities of TUSKON and its alphabet soup of constituent organizations—MARIFED, ANFED, GUNSIAF, etc. It is also the main sponsor for TUSKON’s signature World Trade Bridge Conference.

⁹⁴ Ibid. p. 272

⁹⁵ Textile company Akel, a manufacturer of Islamic fashion, is the secondary sponsor. However, organizations un-connected with the movement, like Turkish airlines and TurkTelkom, sponsor at the tertiary level while other “Islamic” companies such as furniture manufacturer Istakbal are comparatively minor sponsors. So the Turkish Olympics should not be taken to be a smoking gun connecting all sponsors to the Gülen movement.

And, while Bank Asya is Turkey's largest Islamic bank, its peers are worth considering as well.⁹⁶ Türkiye Finans, the next largest, was founded as a joint partnership between the Ülker group and Boydak Holding. The former's ties to Erdoğan have already been touched on whereas the latter company hails from the city of Kayseri—hometown of Turkish President Abdullah Gül. Though the Gül lacks the sort of close business and family ties to large corporations that Erdoğan enjoys, the simple fact that he is from Kayseri speaks volumes.⁹⁷ Whereas Erdoğan's political strength derives in large part from his ability to embody certain class attributes—urban, poor, football loving, educated at Islamic training schools, nationalistic. Gül. Has always emphasized his moderate, urbane, internationalist tendencies. The image of his hometown reaffirms this: Kayseri is the *ur*-example of an Anatolian tiger city. According to its mayor, Kayseri is different from other conservative Anatolian cities in that, “Trade has been conducted on this soil from the Assyrians six thousand years ago to the present.”⁹⁸ Other residents emphasize the harmony between Islam and business, going so far as to suggest it exemplifies a specifically “Islamic Work Ethic.”⁹⁹ Boydak is among the largest of these firms and highly influential locally. The Vice Chairman of its executive board, Mustafa Boydak, is also the president of the cities business association KAYSO and Chairman of Türkiye Finans.¹⁰⁰

Just because Gül is the most important politician from Kayseri, and Islam oriented entrepreneurs like the Boydaks are the most important businessmen is no proof of connection. Nor need it be: Both are products of a process by which once peripheral areas of Turkey have been integrated into the world economy. Thirty years of increasing exposure to foreign markets has encouraged men like Gül and the Boydaks to act independent of the state.¹⁰¹ That is, however, different from saying they oppose it. Independence does not mean rejection.

⁹⁶ Albarka is the largest Islamic Bank in Turkey but it is part of a larger foreign bank.

⁹⁷ Which does mean he lacks business ties. For example, his father and brother are partnered in company Kitoko, a MÜSİAD member which focuses on installing lighting fixtures. The company secured a contract for Tunisia's new airport in early 2011. (“Tunus'ta 'Gül gibi' iş,” *Sozcu*, 1/25/11)

⁹⁸ Enis Berberoğlu, “Evde gelenekçi işte ise moderniz,” *Hurriyet*, 3/9/04.

⁹⁹ The Islamic work ethic concept is considered by Uygur (2009).

¹⁰⁰ Not to be confused with the pirate leader Kayso from Star Wars whom Wookiee-pedia observes was “not a very capable leader, and kept much of the group's spoils to himself.”

¹⁰¹ I would argue there is a difference between being incorporated in to the world economy (ie. Being a piece in a vast apparatus of capitalist production) and being integrated in the sense of pursuing opportunities

The difficulty in establishing clear boundaries between business interests and political interests in AKP policies helps explain why the party has been so successful in promoting development. Instead of a small group of politicians attempting to create a small vanguard of businesses, AKP era Turkey presents us with the spectacle of a vast class of Turks, connected with each other through family ties, business connections, political loyalties, associational networks, past activism, school ties, and memories of persecution, all oriented around a shared sense of Islam-inspired piety, mutually assisting one another in the pursuit of their individual endeavors. Whereas past Turkish governments have often been too autonomous from their societies, or alternatively too weak in the face of sectoral demands, the current government seems to be finding a successful balance. Although the foregoing discussing has focused a great deal on large “Islamic” companies, the AKP’s true break from past precedent lies in the degree to which its partners in the business community exist outside the top tier of Turkish firms.

Think back to MÜSİAD, the association of pious businessmen. After its first president was forced to step down during the February 28th process, the association continued under the leadership of Ali Bayramoğlu. After serving for five years, he ceded the top spot in the leadership to another businessman—the CEO of the Albayrak Group—and continued as the association’s vice-president until he was selected to represent Rize in the 2007 election as a member of the AKP. He served a single term and since then has focused on his role as a columnist for *Yeni Safak*. MÜSİAD itself includes over three thousand members—including companies owned by President Gül’s family, companies at one time owned by Prime Minister Erdoğan and his family, and companies owned by numerous AKP parliamentarians. AKP members meet with organization members and speak at events. The AKP remains highly embedded in the Islamic business community, and this embeddedness allows it to formulate and implement its policies more effectively.

Then again—as Evans reminds us—embeddedness without autonomy can lead to chaos. The Turkish state (and the behavior of its political class) may be characterized by patronage, nepotism, and rent-seeking, but it is not without rules and norms. Pious MÜSİAD members who receive government contracts are as qualified as their secular

the economy offers up. The former may well have happened decades earlier, but the latter is more recent. Liberalization of the economy has removed the protections of the state, but it has also created new possibilities.

peers. The bidding process through which companies secure contracts may be circumvented or open to manipulation, but it does exist and often results in companies that are unaffiliated with Islam oriented networks, such as TAV, securing contracts. Too large a portion of the national economy is dependent on the activities non-Islamic networks of businessmen for the AKP to rely exclusively on the support of pious business community. The strength of non-Islamic networks, and the need to accommodate them, gives the AKP a degree of autonomy from the Islamic business class in which it is so deeply embedded.

The AKP is not trying to eradicate competing classes of businessmen, or the networks that they inhabit; rather it is attempting to privilege the networks in which it is embedded. “Secular” businessmen are given space to act in the economic sphere. It is, therefore, highly instructive to consider where the AKP chooses to confront such businessmen and use the power of the state to penalize them—thereby tarnishing its own international image as a pro-business, small-state party. As the case of Aydın Doğan illustrates, the AKP targets only those businessmen with the temerity to mention *precisely* all these details we have been discussing in the previous pages of this paper.

VIII. Old Weapons, New Hands

Both media mogul Aydın Doğan and Prime Minister Erdoğan agree that they met in late 2006 and discussed the Hilton Hotel. That is where the agreement ends. Doğan had purchased the property in 2005 when it was privatized. He now hoped to build residential houses on the lot, but had been unable to convince the Istanbul municipality to rezone it. According to the prime minister, Doğan brought this matter up, asked for assistance, and threatened that, if help was not forthcoming, he would use his media outlets to smear the prime minister and his party.¹⁰²

Doğan, of course, recalled the events differently. He claimed to have asked no such thing—rather it was the prime minister who had inquired into the issue. Doğan had been more interested in securing a permit to build a refinery near the town of Ceyhan. In this too he had been shot down. Erdoğan claimed he could give no such permit because

¹⁰² “Erdoğan, Aydın Doğan'a bir hafta süre Verdi,” *Yeni Safak*, 9/7/08

the site was already desired by the Çalık Group.¹⁰³ Considering how close the AKP and the Çalık Group are, Erdoğan's preference for them is easy to understand. Likewise, his unwillingness to assist Doğan is equally understandable—Doğan represented everything the AKP set itself against. And, ultimately, the party would use the same methods against Doğan that he and his allies in the state had previously used against the Islamist movement.

Unlike many powerful Turkish business leaders, like Koç, Sabancı, or Boyner, Doğan was a relatively new entrant to the Turkish business class. Starting in the late 1950s as a dealer in cars, bicycles, tires, radios, and other assorted products, his firm grew rapidly. In 1961 he became a licensed dealer of Koç automobiles.¹⁰⁴ The connection had helped him secure similar partnerships with other firms. As his network grew, he began expanding into other industries, starting with a garlic and onion processing plant in Tekirdağ. By the mid-1970s he was becoming increasingly involved in the banking sector, buying substantial shares in institutions controlled by larger family firms.¹⁰⁵ He became increasingly involved in organizations like TOBB and the Istanbul Chamber of Commerce. Over the years, his position among the elite was buttressed through marriage: One daughter had married into the Sabancı family, another into the Boyner family. A third, Arzuhan Doğan Yalçındağ, served as president of TUSİAD.¹⁰⁶

Yet Doğan's reputation as the "Turkish Rupert Murdoch," did not come from his automobile dealerships, banks, and energy firms, but from his sprawling media empire.¹⁰⁷ At its peak in the early 2000s, Doğan Media Group (DMG) owned the newspapers *Hürriyet*, *Milliyet*, *Radikal*, and *Turkish Daily News*, as well as several dailies focused on sports and finance. On television it broadcast Kanal D, CNNTürk, Kablo TV, and Euro D. It also owned advertisers, printers, and bookstores. These holdings accounted for a sizeable portion of the Turkish media market through which Doğan actively transmitted

¹⁰³ "Aydın Doğan: Biat etmeyiz," *Hürriyet*, 9/7/08

¹⁰⁴ Koç was the partner company for Ford Motor Company and Fiat in Turkey.

¹⁰⁵ Karaca, pp. 38-40.

¹⁰⁶ Her husband, Mehmet Ali, works for Doğan Holding. Outside the firm, he is involved with many international organizations, like the International Advertising Association. He's also a member of the Galtasaray Sports Club [football] organization—notable since, Fenerbahçe, one of the other big three football teams is sponsored by Ülker.

¹⁰⁷ "A Turkish Rupert Murdoch," *The Economist*, 2/14/2002.

his views, which tended toward nationalism, secularism, and economic liberalism.¹⁰⁸ In a number of his papers, these opinions were placed on the same page as photos of bikini-clad beach parties and celebrity gossip. His worldview, in both form and content, brought him into conflict with Turkey's growing Islamist movement.



Erdoğan with Aydın Doğan (c. 2007)

Throughout the 1990s, Doğan's newspapers ran stories exposing double-dealing and corruption among Welfare Party (RP) politicians. (It was Doğan's papers that reported on Erdoğan's connections to Ülker and the Albayraks.) Leading up to the February 28th process, Doğan was among the voices criticizing the government. By this time, however, Doğan Holding had become so large, and involved in so many sectors, that it was unclear where conviction ended and business necessity began. By the late 1990s, the firm was competing to buy privatized state enterprises. In particular it hoped to

¹⁰⁸ These papers also presented him in a favorable light. Case in point: until it was bought-out by Doğan, the English language *Turkish Daily News* was rather critical of Doğan and other large media barons. After it was purchased, however, mentions of Doğan tended to focus solely on topics like his charities, award ceremonies, and (ironically) his annual status as Turkey's largest tax payer.

gain all or part of the state electricity provider TEDAŞ. Among its main competitors for this bid was MÜSİAD, whose president had been encouraging the association's 3000 members to contribute to a new firm called Investment Partnership Inc. which would use the funds to outbid firms like Doğan Holding.¹⁰⁹ Further, Doğan's papers claimed, MÜSİAD's officials had asked provincial members to reach out to allies within the TEDAŞ bureaucracy in order to gain inside information about the imminent privatization.¹¹⁰ Beyond this potential competition, Doğan Holding found itself stymied in additional ways; existing laws governing the media barred companies with a stake larger than ten percent in a TV channel from competing in electrical privatization tenders.

The February 28th process temporarily weakened MÜSİAD firms and brought to power political leaders more sensitive towards Doğan's needs. Among the first pieces of legislation that the post-RP government developed was a bill allowing media firms to compete in the electrical market.¹¹¹ Papers owned by Doğan described the bill as an attempt to promote "transparency" in the media, emphasizing that it would force more accurate reporting of who owned which television channel—Channel 7, for example, was owned in part by Erbakan's number two, Recai Kutan, and this bill, it was argued, would demonstrate the exact dimensions of his stake.¹¹² A related argument, put forward by Doğan himself, was that, "The unworkable nature of the [media] law has opened the door to all sorts of undesirables—organized crime, leaders of religious sects, people who use the media to make money elsewhere."¹¹³ None of these points made converts. The reform bill was vigorously contested by opposition parties, still angry at the role these media firms had played in the ouster of the RP government. Their opposition was enough to block the bill—large media firms were forced to content themselves with more modest legislative benefits.

¹⁰⁹ "MÜSİAD tüm özelleştirmelere katılacak," *Milliyet*, 3/3/97, p. 7 and "MÜSİAD'dan 1 milyar \$'lık elektrik havuzu," *Milliyet*, 1/16/97, p. 7.

¹¹⁰ "MUSIAD and Dogan Media Group Head for Hard Competition - and a Profitable Tender," *Turkish Daily News*, 3/21/97

¹¹¹ "Media bosses press on to get energy projects," *Turkish Daily News*, 11/13/97.

¹¹² "Hedef temiz ekran," *Milliyet*, 12/4/97; "Kanal 7 için RTÜK'e şikâyet," *Hürriyet*, 12/17/1997

¹¹³ "Dogan assessed RTUK law to TIME," *Turkish Daily News*, 5/30/02. The argument itself was true enough. In 1998, for example, Doğan had attempted to sell *Milliyet* to Korkmaz Yiğit, nouveau-riche contractor eager to enter the media world. The sale was scuttled, however, after tapes emerged linking Yiğit to prominent members of the Turkish underworld.

Such rent seeking is precisely what one might expect in a country where the state is capable of picking winners and losers. Much of this petty back and forth seems explicable without reference to class or ideology—or would if it were not for one aspect: though Doğan and other large, “secular” firms were arrayed on one side,¹¹⁴ they faced not only similarly large, Islamic firms, but also vast networks of *smaller* firms.¹¹⁵ MÜSİAD’s competitive threat lay in its ability to draw on such networks. Doğan was a master of a different era, defined by large firms and narrow elites—an era that was increasingly fading. In many countries, neoliberal reforms had empowered men like Doğan, allowing them to form their own political bases, separate from the state. But in Turkey, the previous economic order had already strengthened that sort of businessman; neoliberalism, in contrast, benefited a vast number of small businesses shut out of the earlier era’s rent-seeking. A representative of the old guard, like Doğan, recalled for AKP supporters a less just order.

Whether Doğan actually threatened Erdoğan remains unknown, but such a tactic is easily imaginable in the Turkish media milieu. In recent years, Doğan had been both accused of wire-taping politicians, as well as being the target of wire-tapping *by* politicians. And surveillance was among the less harmful possibilities: Doğan had entered the newspaper business in the late 1970s after the former owner of *Milliyet* was assassinated.¹¹⁶ Twice in recent years, DMG’s office had been the target of gun-attacks. In short, the newspaper business in Turkey is rough and tumble.

According to AKP partisans explain it, in response to Erdoğan’s rebuff, Doğan’s papers began publishing stories tying the AKP to a German charity called Light House. The charity’s leaders had been prosecuted for fraud and embezzlement in Germany and,

¹¹⁴ “Secular” is a terrible short hand to use because it implies splits within capital are solely attributable to the degree of an owner’s religiosity; it is completely possible that the owners of secular firms can be pious Muslims too. But by “secular” I hope to imply the sort of network divide that Meeker (2002) discusses—that is, groups in Turkey develop their claims to power by adopting different sets of symbols. Meeker shows how, in the early Turkish republic, even at the local level, family groupings that had struggled over power for generations merely continued their struggle. Only now language and symbols of the Republic (as represented by the Republican People’s Party) were adopted by one side (334). In this dynamic, “secular” means access to power organized around participation in the republican state-building project—“secular” companies like Koç and Sabancı did.

¹¹⁵ I don’t intend to equate “small firms” with “Islamic firms” here. Of course there are “secular” small businesses. But I would suggest that social networks, built on shared religious symbols, institutions, and routines, give a coherence to Islamic businesses networks that non-“Islamic” firms lack.

¹¹⁶ In all likelihood by Mehmet Ali Ağca, the same ultra-nationalist who would attempt to kill Pope John Paul II two years later.

according to the indictment, the Lighthouse president had worked with the heads of both Channel 7 and Turkey's media oversight board to funnel money raised aboard back to Turkey in order to finance political activities.¹¹⁷ Throughout the summer of 2008, Doğan's papers vigorously followed the story.

The Light House convictions were handed down in early September. The same month, the government tax authority accused DMG of improperly reporting profits it had made by selling 25% of its shares to a German media firm. Additional accusations held that sales and movements of property *internal* to DMG had also gone unreported. As a penalty, the tax office fined DMG \$3.2 billion--\$500 million for the former charges, \$2.5 billion for the latter, plus an additional \$200 million in interest. And the government demanded that DMG present collateral immediately. Yet another set of charges came from Turkey's Capital Markets Board, which accused DMG of setting up "ghost companies" in low-tax countries and then importing paper to Turkey via those companies. Amidst all these accusations, shares in DMG plummeted as did shares in its offshoots, like Petrol Ofis, whose profitability depended on its securing government permits.

Erdoğan dismissed suggestions that the government's case against DMG was some form of political retaliation, arguing instead that it was part of a more general fight against Turkey's "underground economy."¹¹⁸ Doğan was, he argued, like Al Capone, and his prosecution would set an example for other tax-cheating businesses. Such comparisons led Doğan's allies to decry the government's hostile attitude. These complaints were met with equally harsh rejoinders from government officials. For a year, words flew back and forth while, behind the scenes, DMG desperately sought some sort of settlement.

In early December 2009, DMG's newspaper *Milliyet* was able to secure a reduction in its fine, but other parts of the holding remained under pressure. By the middle of the month the government had frozen shares in DMG's media constituent companies and the prosecutor's office had officially accused Doğan of paper smuggling. Five days later, on December 29th, Ertuğrul Özkök, the editor of *Hürriyet* and a critic of

¹¹⁷ Names familiar from the February 28th crack-down like YİMPAŞ and KOMABASSAN were implicated in the embezzlement. ("Parayı çuvalla Fener'e verdik," *Hürriyet*, 9/4/08)

¹¹⁸ Marc Champion, "Turkish Premiere Defends Tax Case," *Wall Street Journal*, 10/5/09, A10

the government, stepped down from his post. Hours later, Doğan himself announced his resignation as chairman of DMG. It would take another year before Turkey's high court lowered the fine by another \$1.8 billion, and, by that time, there was no mistaking who had won the confrontation between Doğan and the government.

The techniques that the government had brought to bare in the fight should all be familiar; they had been used to force the RP from office a decade earlier. Criticisms from the EU about press freedom and the IMF about the independence of Turkey's tax office had limited influence. The Turkish state remained largely autonomous in relation to domestic and international pressures. It retained the ability to punish enemies and reward friends. The only difference was who composed that circle of friends. The business community benefiting from government policy in AKP era Turkey is larger than in previous eras, but it has boundaries and Doğan was on the outside.

IX. Conclusion

Over the past ninety-years, Turkish leaders have repeatedly faced the challenge of *how* to make the idea of “Turkey” a reality. Lacking the concerted efforts of such committed individuals, there would be no such thing. Turkey, like so many states, is a geographical region circumscribed by borders that were not of its own choosing. At the time those borders were established, they encircled diverse peoples with equally diverse loyalties. The task of state leaders has, therefore, always been two-fold: first, to create and enforce a sense of belonging among those people; second, to develop the sorts of institutions, traditions, and classes associated with being a state.

This paper has been largely concerned with the latter ambition—the creation and maintenance of a business class. But the former project cannot be wholly separated from it. As with so much else, Turkish leaders created and nurtured a business class from the top down. Participation in this state project was not open to all, but instead a privileged few. The institutions supporting this project tended to perpetuate the autonomy of the state and reinforce the elite nature of the business class. The project was but weakly embedded in the larger society.

A great deal of the conflict that Turkey has experienced comes from challenges to these state-led projects. Individuals and groups, in creating their own senses of belonging

and the associated institutions, have repeatedly clashed with the state. What is novel in the case of AKP-era Turkey, then, is that one of these challenges seems to be winning out, and its results—at least in terms of economic growth—seem to have improved on previous strategies.

This victory is not always admirable. AKP leaders still exhibit high-handed tendencies—including an inclination to see imprisonment and persecution of one’s enemies as an acceptable corollary to politics. They have not, in short, sought a thorough reduction of state power. Yet the very nature of their rise to power, as participants in networks existing largely outside the state and separate from a narrow state-elite, has led to policies far more sensitive to the needs of a wide range of society and embedded in a far larger web of social relations.

Whether this successful balance persists, of course, remains to be seen. An overly embedded state risks being held captive to social pressures—or simply mired in rent-seeking; an overly autonomous state, especially when coupled with a naturally imperious personality, is no better. The balance is a fine one, but the potential benefits stemming from developmental policies implemented in coordination with society, rather than dictated to it, are clear enough.

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