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UNRAVELLING THE SOCIAL FORMATION: FREE
TRADE, THE STATE AND BUSINESS IN TURKEY

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Abstract of the Thesis

The main purpose of this thesis is to examine the role of business associations in Turkey in analysing the dialectical relationship between global free trade relations and Turkish social formation during the Justice and Development Party (Adalet ve Kalkinma Partisi, AKP) government from 2002 to 2016. A social formation composes of different power and class forces, and it is the actual site of reproduction of social relations of production. The thesis constructs a three-levels of analysis based on the social relations of production, forms of state and world order. It benefits from a neo-Gramscian analysis of imperialism theories and the uneven and combined development thesis to analyse unequal exchange relations in the context of free trade. In this regard, this study employs a neo-Gramscian understanding of the state with a specific reference to Nicos Poulantzas who was one of the most influential Marxist scholars of the late 20th century. In order to identify the historical and social specificity of the relationship between global free trade relations and Turkish social formation, the core research question of this thesis explores the role of business associations in Turkey in analysing the relationship between global free trade relations and Turkish social formation between 2002 and 2016. To unpack the core research question, sub-questions of the thesis focus on the class characteristics of these business associations in relation to the social relations of production in Turkey, the role of the Turkish state in the process of internationalisation of Turkish capital, and finally, the integration of business associations into global relations of free trade. The thesis shows that the place of business associations in Turkey in global production chains is mainly as an intermediate producer which assembles imported resources into finished goods. This has increased the dependency of Turkish business associations on the global market to reproduce the social relations of production. It also shows that business associations in Turkey have integrated into the global free trade system in different ways at different times, which has created the differences among them. It also argues that Turkish state has played both an internal and an external role in shaping and mediating the interests of different business associations. The arguments of the thesis can be tested in any social formation which is integrated into the global free trade relations at different times in different ways.

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List of Abbreviations

AKP: Justice and Development Party

ANAP: Motherland Party

BDDK: Banking Regulation and Supervision Agency

DEIK: Foreign Economic Relations Board

ECC: Economic Coordination Council

EU: European Union

FDIs: Foreign Direct Investments

FETO: Fethullah Gülen Terror Organisation

FTAs: Free Trade Agreements

GATT: General Agreements on Tariffs and Trade

HSYK: Constitutional Courts of the High Council Judges and Public Prosecutors

IMKB: Istanbul Stock Exchange

ISI: Import Substitution Industrialization

ISO: Istanbul Chamber of Industry

ITO: Istanbul Chamber of Commerce

ITC: Committee of Union and Progress

MFA: Ministry of Foreign Affairs

MUSIAD: Independent Association of Industrialists and Businessmen

NAFTA: North American Free Trade Agreement

OIC: Organization of Islamic Cooperation

PWC: Post Washington Consensus

RP: Welfare Party

SMEs: Small and Medium Sized Entrepreneurs

TCMB: Central Bank of Turkey

TIM: Turkish Exporters Assembly

TMSF: Saving Deposit Insurance Fund

TNC: Trans National Companies

TOBB: Union of Chambers and Stock Exchanges

TUIK: Turkish Statistical Institute

TURKONFED: Turkish Enterprise and Business Confederation

TUSKON: Turkish Confederation of Businessmen and Industrialists

TUSIAD: Turkish Industry & Business Associations

U&CD: Uneven and Combined Development

UNCTAD: United Nations Conference on Trade and Development

WTO: World Trade Organisation

YOIKK: The Coordination Council for the Improvement of Investment Environment.

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“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way – in short, the period was so far like the present period, that some of its noisiest authorities insisted on its being received, for good or for evil, in the superlative degree of comparison only”.

Charles Dickens A Tale of Two Cities.

“And simple truth miscall’d simplicity,
And captive good attending captain ill”

William Shakespeare, Sonnet 66.

Unravelling the Social Formation: Free Trade, the State and Business in Turkey

1. Chapter I: Introduction

You cannot survive if you fail to integrate your process of production into the global free trade mechanism. In today's world, it does not matter whether you sell the products in Kayseri, California or Seoul, what matters is creating value" (Interview 1, 18 August 2016).

The focus of this thesis is to examine the role of business associations in Turkey in analysing the dialectical relationship between global free trade relations and Turkish social formation during the Justice and Development Party (Adalet ve Kalkinma Partisi, AKP) government from 2002 to 2016. To unpack this relationship the thesis constructs a three-levels of analysis based on the social relations of production, forms of state and world order (See Figure 1). The relationship between these three levels are not unilinear, hence they constitute the structure of the thesis (See Figure 1).

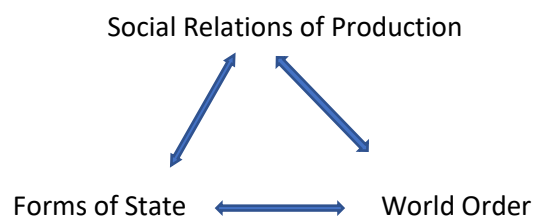


Figure 1. The Dialectical Relations of Three Levels.

The core research question of this thesis is: What is the role of business associations in Turkey in analysing the relationship between global free trade relations and Turkish social formation between 2002 and 2016? Taking the social relations of production as a point of departure, the first sub-question of the thesis investigates the production structure in order to identify the class characteristics of the member firms of different business associations. As a second step, the thesis examines the relationship between business associations and the state. Hence this thesis analyses the role of the Turkish state in integrating business associations into the global free trade relations and managing internalisation of global free trade relations in Turkish

social formation, and finally, the integration of business associations into global free trade relations (See Table 1).

Table 1- Neo-Gramscian Three Levels of Analysis and Research Structure

The Core Research Question	
Social Relations of Production	<p style="text-align: center;">←————→ The First Research Question</p> <ul style="list-style-type: none"> - Defining the companies from a class perspective - Integration of companies organised in different business associations into the social relations of production
Forms of State	<p style="text-align: center;">←————→ The Second Research Question</p> <ul style="list-style-type: none"> - Examining the state’s external and internal functions. - Externally: Free Trade Agreements, High-level Strategic Council Meetings, regulating the legal system to help the companies in expanding internationally. - Internally: Managing the contradictions among different power groups, regulating the legal system to increase the ability of capital to make different manoeuvres.
World Order	<p style="text-align: center;">←————→ The Third Research Question</p> <ul style="list-style-type: none"> - Examining how business associations engage in global free trade system, and which countries they target (the EU, the Middle Eastern, and African Countries). - The internalisation of global free trade system in Turkish social formation

The thesis argues in accordance with imperialism theories and the uneven and combined development (hereafter U&CD) thesis which was initially articulated by the Russian Marxist Leon Trotsky, that every country in the world has integrated into the global free trade system in different ways at different times (Trotsky, [1930] 2000). The main argument of this thesis is that the expansion of global free trade relations has affected the social relations of production in Turkey. Accordingly, it argues that the internationalisation of different form of capital¹, namely commercial (1980-1989), money (1990-2001) and productive capital (2001 onwards), have affected the integration of Turkish business associations into global free trade relations in an

¹ At this stage, I shall define forms of capital which will be used through entire thesis. To note that capital is a social relation, and it takes different forms. Commercial capital is the form of capital which functions in exchange relations, in other words commodity circulation. This is a specific part of industrial capital which acts at the level of revalorization of commodity capital. Money/banking/financial capital is the form of capital which is used to purchase means of production or provide financial assistance to invest in industry. Industrial/productive capital is the specific form of capital which constitutes the capitalist character of production. It transformers the techniques and organisation of labour process. Finance capital is the fusion of industrial and money capital, which also has a transformative impact on the social formation (Marx, [1976] 1990: 247-258; Gosh, 2012: 30-31).

uneven way. This means, the uneven development created differences between business associations in terms of time, scale, geographical relocation and the patterns of internationalisation. These differences will be explained in empirical chapters.

The thesis aims to theorise how business associations engage in the social relations of production; to what extent the patterns of the relationship between business associations and the state have shifted, and how these business associations engage in the global relations of free trade. In order to do this, this thesis focuses on the uneven development of the different fractions of capitalist classes, the analysis of the dialectical relationship between business associations and the state in free trade relations, and competition among business associations in the area of free trade.

Accordingly, it argues that the integration of Turkey into global free trade relations is associated with the uneven development of global capitalism. Unevenness refers to the international differentiation between countries as well as internal differentiation in institutional and class relations. For combined development, Trotsky argues that the development of backward countries leads to a combination of different levels in the historic process (Trotsky [1930] 2000). It is the combination of two different modes of production, feudal and newly formed capitalist relations of production, in Russia in the late 19th century. For Trotsky, Russia did not need to repeat the development of the Western Countries but adapted industrial development in Western countries to Russia's backwardness (Trotsky, [1930] 2000). This means, Russia skipped over some stages, such as craft-guilds and manufacture, that have been achieved by advanced capitalist countries. Accordingly, Russia has developed its industry thanks to the transfer of knowledge and technology from the advanced capitalist countries (Trotsky, [1930] 2000). As a result, Russia's industry in its capitalist structure and technology almost outstripped the advanced capitalist countries (Trotsky, [1930] 2000). In the case of Turkey, this thesis argues that combination refers to the combining of the different stages of the process of capital accumulation, in other words internationalisation of different forms of capital in the post-1980 period. Internationalisation of capital, in the Marxist sense, refers to expansion of money, commodities, and production across time and space. Thus, it is not the location of ownership of the firms which determines their spatial scale, it is the

production, realisation and reproduction processes which are sometimes internationalised (Bryan, 2007: 269-270). Turkey has unevenly experienced internationalisation of commercial, money and industrial capital. Hence, the expansion of capital globally has changed the social relations of production in Turkey. One area in which we may grasp these changes is studying Turkish business associations in Turkey.

For this thesis, I have chosen three different business associations in Turkey which are TUSIAD (Türk İş İnsanları ve Sanayicileri Derneği, Turkish Industry & Business Association), MUSIAD (Müstakil İşadamları ve Sanayicileri Derneği, Independent Association of Industrialists and Businessmen) and TUSKON (Türk İşadamları ve Sanayicileri Konfederasyonu, Turkish Confederation of Businessmen and Industrialists). These business associations are selected because of their economic and political impacts on the Turkish social formation as well as their members' presence in global free trade relations. However, there are some other important business organisations in terms of their economic and political impact. The ones mentioned in this study are namely: TOBB (Union of Chambers and Stock Exchange), DEİK (Foreign Economic Relations Board), ISO (Istanbul Chambers of Industry), ITO (Istanbul Chambers of Commerce), TIM (Turkish Exporters Assembly), ASKON (Anatolian Lions Businessmen Associations), and TURKONFED (Turkish Enterprise and Business Confederation). Without ignoring the importance of these business organisations, the case studies of this thesis are important because of several reasons. Firstly, TUSIAD is the first business association which was established in Turkey in 1971. It represents the most transnationalised fraction of Turkish business and the largest companies in Turkey, which accounts for almost 85% of Turkish foreign trade. This thesis therefore focuses on TUSIAD to analyse the integration of larger-scale Turkish companies into the transnational relations of production. In addition to this, the complex interplay of the relationship between TUSIAD and the state provides insight to analyse the role of Turkish state in the expansion of Turkish capital towards international market and to examine the shifting patterns of power relations within the power bloc. The term power bloc is used to refer to an arena which designates an alliance among dominant classes and fractions. Secondly, MUSIAD was established in 1990 at a time when Turkish money capital was on the

eve of internationalisation. This case is important as the patterns of the global free trade system after the General Agreements on Tariffs and Trade (GATT) Uruguay Round which took between 1986 and 1994 had expanded beyond trade in goods and towards areas such as services, finance and public procurements (Bieler and Morton, 2014: 41). The Uruguay Round was the basis of the World Trade (WTO) Organisation which was established in 1995. This agreement also covered the Agreement of Trade-Related Aspects of Intellectual Property Rights (TRIPs), a General Agreement on Trade in Services (GATS), and an Agreement on Trade-Related Investment Measures (TRIMs) (WTO, 2018). In the post Uruguay Round era, production process is divided into segments and is taken place in several countries, in other words, production process is internationalised. This means companies moved some fragments of production in low-wage countries and import the final products to different countries. Consequently, different countries manage different stages of production, which created cross border production networks (Hart-Landsberg, 2013: 14). In this regard, TUSIAD, MUSIAD and TUSKON played significant roles in integrating Turkey into the shifting patterns of global free trade relations. These business associations, therefore, provide a basis to analyse how Turkish capital internalised the expansion of global free trade. To a considerable extent MUSIAD is composed of SMEs which mainly operate in the construction, furniture, and logistics sectors. However, there are larger companies within MUSIAD which operate mainly in the metal, food and beverages sectors. Finally, TUSKON was established in 2005 with a very specific focus on foreign trade. Although there are larger holdings in TUSKON, it consists of SMEs. These business associations have become the principal actors in integrating Turkey into the global free trade relations. The analysis of TUSKON is also vital to the analysis of the relationship within the power bloc.

Accordingly, the thesis argues that Turkish state has played an internal role in mediating the clashing interests of business associations in Turkey. When the Greek Marxist Nicos Poulantzas examines the expansion of US capital into European countries, he argues that European countries internalised the interests of US transnational capital in different ways in the 1960s and 1970s (Poulantzas, [1974] 1975: 50-52). This, as Poulantzas argues, changed the class relations and the patterns of capital accumulation in European countries. In this sense, this thesis examines

Poulantzas' arguments in relation to the case of Turkey. The state has also played specific roles in expanding the free trade regime, most obviously signing Free Trade Agreements (FTAs) which promote and secure the operations of international capital. These bilateral agreements are another way of integrating peripheral countries into the global free trade regime which is not possible within a multilateral setting due to the clashing interests of different countries (Bieler & Morton, 2014: 42). This thesis examines the role of the Turkish state in the post 1994 period and the impact of FTAs on Turkey's integration into the global free trade mechanism.

1.1. Research Questions

The core research question of this study is: What is the role of business associations in Turkey, particularly TUSIAD, MUSIAD and TUSKON in analysing the relationship between global free trade relations and Turkish social formation between 2002 and 2016?

Accordingly, **the first sub-question** of this research is "What are the class characteristics of these business associations in relation to the social relations of production in Turkey?" This question enables this research to map and clarify different class fractions in Turkey. As Marxist theory distinguishes classes on the basis of the distinctions in the social relations of production, fractions are class fractions (Poulantzas [1974]1975: 23). This concept is very useful since the division between and within business associations is not characterised by their religious or ideological affiliations. On the contrary, this concept helps this thesis to define the specific business association from a class perspective. For this purpose, this thesis investigates the spatial location in which the member firms of different business associations engage in relations of production. This setting-out will help me to map out fractions of Turkish firms operating under the umbrellas of TUSIAD, MUSIAD, and TUSKON.

As the state plays a significant role in global free trade relations, the first sub-question raises a pertinent question in relation to the internationalisation of capital and the state, and the place of the Turkish state in global free trade relations. **The second sub-question** of my research is, therefore, "What is the role of the Turkish state in the process of integration of business associations into the global free trade relations,

and internalisation of the interests of transnational capital in Turkey?” This question will also demonstrate the polarisations between the different fractions of Turkish capital and the struggle over the interests of different capital fractions in the context of changing state-capital relations in Turkey.

In relation to the integration of business associations into global free trade relations, **the third sub-question** of my research is, “How do the business associations in Turkey engage in global relations of free trade”? At this stage, the forms of Turkish business associations’ international integration and the spatial location where they realise their commodities through acts of free trade will be unpacked. Also, the spatial location where business associations deploy capital for the purchase of labour-power and means of production will be further discussed.

1.2. Theoretical Framework

To analyse the role of Turkish business associations in global free trade relations, and the impact of global free trade relations on Turkish social formation, this thesis uses the historical materialist perspective which was first articulated by Karl Marx (Marx, [1976] 1990; Marx, 1973). As this approach states everything is interconnected (Ollman, 1976), a social phenomenon becomes the product of both social structures and historical processes. As a historical materialist study examines the concepts in their structural totality as well as the dialectical relationships between structure and agency, the analysis of free trade cannot be constructed as a distinctive sphere from the relationship between structure (free trade system) and agency (business associations and the state), or between the general and the specific (Ollman, 1976: 64). In other words, the structure of the contemporary free trade system and the agencies engaging in these relations are both relevant to this study. Therefore, this study does not exclude historical changes and structural totalities, which are interior to each other, from its analysis. Moreover, as it is difficult to conceptualise the whole, historical materialism suggests considering everything as constituent parts of the whole. In Bertell Ollmann’s words, totality “is a logical construct that refers to the way the whole [is made] present through internal relations in each of its parts” (2003: 72). This suggests that the whole is present through internal relations in each of its parts. This means that it is not possible to analyse the state without focusing on its

different and conflicting parts. This study adopts the historical materialist approach to grasp historical conditions, class struggles, power relations, changes at state level and structures, and international integration of business associations as part of the whole picture.

I should also point out the importance of the concept of social formation which is a concept initially used by the French Marxist Louis Althusser. He differentiates Marxist analysis both from the essentialism of Hegel, which suggests that each part constitutes equally the whole, and from an economic determinism which suggests that the economic base is predominantly superior to the non-economic phenomenon (Jessop, 1985: 57). According to Althusser, the social totality is characterised by different levels and the unity of the whole is dominated by one level over the others. This unity in the last instance characterised by the social relations of production, but politics is the actual site of the class struggle in a specific social formation (Althusser, 1965: 200-217). In contrast, Poulantzas used this concept to analyse different power and class forces which constitute a social formation. Accordingly, he argues that a society is composed of different modes and forms of production and more than two classes: the working class and the bourgeoisie (Poulantzas [1974] 1975: 22). These classes are the dominant ones in a capitalist social formation. As a social formation comprises different modes of production, there can be slaves, peasants, or unemployed people in a specific social formation. A social formation is, therefore, the actual sites of reproduction of the social relations of production in which class struggle is enacted (Poulantzas [1974] 1975: 23). The concept of social formation is useful since it allows this study to analyse different business associations in Turkey and different class fractions within the power bloc. It also suggests that the formation of social classes in a specific social formation only exist in relation to other social formations (Poulantzas [1974] 1975: 23). Here, this study examines the class fractions in the Turkish social formation in relation to the social relations of production in Turkey as well as their interaction with other social formations through engaging with global free trade mechanism.

This thesis argues that expanding global free trade relations have affected the social formation in Turkey. In order to unpack this argument, this study initially focuses on

the relations of production by engaging with Marx and Engels' own writings on free trade, which are mostly focused on the role of free trade in the global exploitation of labour, transferring surplus value globally and creating a capitalist world market which is the basis for the capitalist mode of production. Secondly, this study engages with theories of imperialism in order to grasp the necessity of global expansion of capital in the context of free trade. Thirdly, a major part of this project benefits from a neo-Gramscian analysis of the U&CD thesis to analyse unequal exchange relations in the context of free trade. This neo-Gramscian approach enables this study to examine how unevenness is always created and (re)produced at the global and regional level, and how these complex relations between countries, regions and sectors are interconnected. Accordingly, the U&CD approach provides a broader perspective to analyse the integration of business associations in Turkey into global relations of free trade.

In this regard, this study employs a neo-Gramscian understanding of the state with a specific reference to Poulantzas. Poulantzas' ideas on the organisation and activities of the state are influenced by the Italian Marxist Antonio Gramsci (1971: 261). Working on Gramsci provided insights to Poulantzas to advance underdeveloped fields of Marxist state theory, such as to examine the political class struggle reflected within the state structures and judiciary (Jessop, 1985: 50). There are four important points to understand links between Gramsci and Poulantzas, and to show how Poulantzas is used in this thesis. First, Poulantzas follows Gramsci in arguing that states cannot be reduced to governments. Relating to this premise, Poulantzas defines the state as a social relation in which political class struggle and reproduction of modes of production become crystallised (Jessop, 1982: 191). The actual sites of political class struggle (re)produce the capitalist society and world market at the same time (Poulantzas, 2000:25). This means states have an intertwined role in both economic and political spheres. Therefore, the relationship between the state and capital cannot be exclusively constructed. This maps out the state's relative separation from the relations of production. The state, therefore, is not an economic structure from which the class struggles, classes, and forms of power are absent (Poulantzas [1978] 2000:14). This means politico-ideological relations are always

intrinsic to the constitution of relations of production as they play an internal role in the reproduction of domination and subordination which involve the process of exploitation and production (Poulantzas [1978] 2000: 26-7). In this regard, the thesis examines the organisation of Turkish state and how it engages in social relations of production. This is revealed in Chapter IV. In practice, Chapter V, VI, and VII will also demonstrate how the Turkish state engages in the construction of power and class relations between business associations and the state. Also, the thesis reveals the relationship between politics and relations of production. These chapters demonstrate that ideology plays a significant role in terms of constructing hegemony embedded in the sphere of socio-political class struggle. These business associations, therefore, use ideology to reproduce the relations of production which they are involved in.

Second, the concept of hegemony is useful to understand the relationship between business associations and the state, and between dominated classes and the state. Poulantzas extends this Gramscian concept in a way that is applicable to understanding power struggles within a power bloc, and how the hegemony of one fraction is constituted not only at the state level but also within the dominated classes. Also, Poulantzas argues against Gramsci that hegemony shall not be studied not only from the class position but also from the exercise of hegemony from a specific class fraction (Jessop, 1985: 321). In this regard, Chapter V, VI, and VII will examine how hegemony of one fraction is constituted and reproduced. Chapter V will provide an insight to help unravel how TUSIAD is hegemonic within the capital fractions, although, there are also contradictions within the power bloc. Chapter VI and VII will also demonstrate how hegemony is not only produced between dominant classes but also between dominant and dominated classes.

Third, Poulantzas focuses on the institutional materiality of the capitalist state as a complex of apparatuses, which is largely ignored by Gramsci. This approach provides this study an overview to analyse the organisational framework of the Turkish state. In practice, the Turkish state constructs its hegemony not only through repression, but also fragmented network of its activities in the social relations of production. In this regard, Chapter IV will provide this thesis to analyse the power relations within

and outside the power bloc. Chapter V, VI, and VII will also demonstrate how organisational framework of the Turkish state has changed in response to its interaction with different business associations.

Finally, as Poulantzas ([1974]1975: 97) argues, nation-states mediate the internationalisation of the state and capital. In this regard, Chapter V, VI, and VII aim to examine the role of the state in Turkey and how it manages to unite domestic capitalist classes to maintain the (re)production of international accumulation. This approach will provide me with an opportunity not only to understand the relationship between Turkish business associations and the state but also to reveal the tensions and contradictions between domestic and international/transnational capitalist classes involved in this process.

1.3. Limits of the Thesis

I conducted fieldwork between July and October 2016. In the early stages of the research, the initial plan was to conduct semi-structured interviews with the administrative and executive staff of business associations, specifically with TUSIAD, MUSIAD and TUSKON. However, on 15 July 2016, Turkey witnessed a coup attempt. The government declared that Fethullah Gülen was behind the coup attempt, and Gülenists within the army, police and many different groups from different circles were implicated. The parliament was bombed by fighter jets, and the General Secretary of the Turkish Army was kidnapped on that night. People gathered on the streets and squares to oppose the coup against the government. In the confrontation, 241 people were killed and 2194 were wounded (Aljazeera, 15 July 2017). The failed coup attempt of July 2016 created a situation of political turmoil and the government declared a state of emergency. In these politically tense circumstances, it was almost impossible to carry out interviews with the staff working for business associations and government officials. The state of emergency which was extended for another three months on 18 January 2018 led government officials and people in business to be apprehensive about expressing their thoughts and feelings about any political subject. This means the politically tense situation was same in 2017 and 2018. Therefore, the first limitation to the thesis is the politically tense situation after the coup attempt which made difficult to conduct interviews.

In relation to the political atmosphere after the coup attempt, some important sources on TUSKON available on the internet were removed or banned. This is another limitation to the thesis which made difficult to collect data on one of the most important case studies of the thesis. The final limitation to the thesis is the difficulty in finding the member firms of MUSIAD and TUSKON. As MUSIAD and TUSKON do not publish the list of their members, as opposed to TUSIAD, this put another limit to the thesis.

1.4. Methodology

In this thesis, I employ a qualitative research methodology with a primary emphasis on qualitative interviews and analysis of governmental and non-governmental documents. The defining feature of qualitative research is that the results of the research are summarised in verbal expressions (Paul, 2004:5). As semi-structured interviewing allows researchers to ask in-depth and open-ended questions (Denzin & Lincoln, 2000: 653), this would enable me to direct the research usefully without limiting the framework of the interview and the responses derived from it. Moreover, open-ended questions would allow me “to make a truer assessment of what the respondent really believes” (Robson, 2002:276).

Strauss and Corbin (1990) state that a qualitative strategy is used to better understand a social phenomenon that may be difficult to grasp quantitatively. Therefore, qualitative research is not purely a research strategy dealing for a social phenomenon in the absence of numbers (Bryman, 2012: 380). Quantitative data (foreign trade volumes, and statistics on relations of production) are also employed to understand how international/transnational capitalist classes’ interests have been internalised at the state level and to reveal the significance of business associations in Turkish foreign trade because qualitative research cannot be completely reduced to questions of gathering, interpreting and analysing the non-numeric data (Hammersley, 1999: 14).

Despite all the difficulties mentioned in Section 1.3., I managed to conduct interviews with five people or groups of people during this period. I conducted in-depth interviews with the following relevant groups:

- General Secretary of TUSIAD
- President of MUSIAD's Branches in Provincial Cities
- Administrative Staff working for MUSIAD
- Member Companies of MUSIAD in Provincial Cities
- Academics working on state-capital relations in Turkey

My main interviews were conducted with the staff of business associations who organise business meetings, trade fairs, workshops, and official meetings with government officials. It should be noted that the interview conducted with a MUSIAD staff member by phone is cited anonymously. I did not record this interview and only took notes during the interview while I was on the phone. Other interviews are listed with interviewees' names and affiliations, with their consent.

In my interviews, I used open-ended questions. I asked them to talk about the structures of the business associations and the ways in which the member firms of the mentioned associations engage in production, exchange and reproduction processes. Further, I asked them to describe how they understand or describe their relationships with the government and with other business associations. Furthermore, informal meetings with academics focusing on free trade and the relations between the state and the business associations are used to generate additional information which did not emerge during the interviews.

In the case of MUSIAD, initially, the staff in Istanbul, Ankara, and Kayseri did not give positive responses to my emails and phone calls. However, the president of MUSIAD Kayseri branch accepted my request on 13 July 2016. We agreed to meet on the 17 July. But after the coup attempt, my phone calls, emails and texts were left unanswered by the president of the Kayseri branch. At a later stage in August 2016, I managed to conduct my first interview with the owner of a member company of MUSIAD, and two different interviews with the administrative staff working for the MUSIAD branch in Sivas. These interviews were useful as I obtained an overview of how MUSIAD-affiliated companies in provincial cities engage in foreign trade, what mechanisms they use in order to join business trips to foreign countries, how they define the state, and what role the state should play in order for SMEs to obtain more spaces and to expand in international market. These interviews provided an overview

in response to my core research question and second and third sub-questions which grasp the current dynamics which shape and form the role of MUSIAD in Turkish foreign trade and the shifting patterns of the relationships between Turkish business associations and the state. Having finished the interview, the person I interviewed made a phone call to the MUSIAD branches in Istanbul and Ankara to arrange another meeting for me. These requests were kindly rejected without giving any definite reason. However, the person I interviewed agreed to arrange a phone interview when I was in the MUSIAD office. Although this interviewee wished to remain anonymous, he provided some important insider knowledge. Overall, the interviews I conducted with MUSIAD staff were useful in enabling me to understand the broader picture and to get an overview about the way SMEs operate in provincial cities.

At a later stage in August 2016, I conducted an interview with Fuat Ercan who is an academic at Marmara University in Istanbul and professor in political economy. This interview was very productive in the sense of structuring my interviews and approaching my interviewees as he has expertise in the area and a major portion of his works focuses on state-capital relations in Turkey. This interview also provided an overview of the role of business associations in Turkish foreign trade from an uneven and combined development perspective.

My next interview was conducted with the General Secretary of TUSIAD, Zafer Yarar, and I gathered most of my data on TUSIAD from this interview. This interview was essential as my interviewee is a person who actively engages in the decision-making process in TUSIAD and holds meetings with government officials. More precisely, this interview provided necessary knowledge in response to my third sub-question which explores the ways in which business association integrate into global relations of free trade. Specifically, it was productive to get an insight why TUSIAD was established, what the objectives of TUSIAD are in the contemporary global capitalist system, which sectors the larger capital fractions operate in, which countries they target for their investments, which transnational companies they work with, and how TUSIAD define the relationship between the state and TUSIAD and between other business associations. In this sense, it was useful to provide an overview in response to my core research question and the second sub-question which deal with the role of the

business associations in Turkish foreign trade, and the relationship between the state and business associations.

In the case of TUSKON, it was impossible to arrange any meetings with member companies or administrative staff. As TUSKON is known to be affiliated with the Gülen Movement (GM), the member companies and executives of TUSKON were targets of the post-coup crackdown. After the failed coup attempt, the president of TUSKON and most of the top executives left the country. The shares and assets of some important companies in TUSKON were transferred to the TMSF (Tasarruf Mevduat Sigorta Fonu, Saving Deposit Insurance Fund) which is an official state institution. Some members of TUSKON were put in prison and some of them are still under judicial investigation. Additionally, the websites of TUSKON and TUSKON-affiliated business associations were banned or removed from the internet.

In order to minimise the shortcomings in data gathering that resulted from the political turmoil in Turkey, I have gathered additional empirical material for the empirical chapters from other sources, such as official websites of ministries, working papers published by TUSIAD and MUSIAD and their partner institutions, interviews with TUSKON staff which were available on the internet and published in Turkish national newspapers, and official websites of member firms of business associations. These resources were used in response to my first sub-question which examines the class dynamics of the firms affiliated with different business associations. Further, I have visited some international websites which published articles and op-eds on the activities of TUSKON internationally, and the role of Turkish schools funded by Gülen-affiliated businesses. These resources were crucial in response to my third sub-question which deals with the patterns of integration of TUSKON-affiliated companies. I also used secondary data, including books, journal articles, academic studies, newspapers, and autobiographies of businesspeople who occupy central places in TUSIAD, MUSIAD and TUSKON to grasp the history of capital accumulation in Turkey; how Turkish business associations expanded internationally; and how their interests have been internalised within the structures of the state. These resources also provided the necessary data to answer my first and third sub-questions.

Further, I reviewed national newspapers' online archives focusing on business in Turkey. I mainly used the archives of Business HT, Fortune Turkey, Capital, CNN Turk, Hürriyet, Milliyet, HT Ekonomi, Cumhuriyet and SOL Portal. This provided data needed in relation to the second sub-question of the research to understand how the complex and historical nature of the relationship between business associations and how Turkish state has been constituted, and how it had developed and deteriorated. It also allowed me to grasp the tensions between different fractions of capital, which is one of the objectives of this research. More importantly, I have visited over 500 companies' websites which engage in global relations of free trade. This provided further data in response to the first and the third sub-questions of the research in terms of which sectors they operate in, which specific business associations they belong to, which countries they target as export destinations, and in which countries they engage in production activities. Additionally, I also gathered information on whether they engage in a partnership with a specific state institution or a foundation. This was very important in order to understand the relationship between MUSIAD and religious foundations like ENSAR VAKFI.

Apart from the mentioned resources, I used a variety of materials, for instance, records of TUSIAD's, TUSKON's and MUSIAD's public statements and declarations related to the second sub-question of the research. Accordingly, I reviewed periodical reports, working papers and journals published by TUSIAD and MUSIAD, and member firms of these business associations. For instance, I focused on *Bizden Haberler*, *Annual Reports* by KOÇ Holding affiliated companies, *Türkiye Ekonomisi* (Turkey's Economy) which is published by TUSIAD annually, the annual reports on *Turkey's Economy* published by MUSIAD, research reports, country and trip reports and the *Çerçeve Magazine* published by MUSIAD in relation to different sectors. These resources allowed me to collect factual data about the structures of the business associations and the ways in which they operate. This enabled me to analyse the relationship between the AKP and business associations, and among different business associations in Turkey.

Although mainly qualitative, this research also used statistical data, especially foreign trade statistics and economic figures regarding Turkey, which have a significant role

in answering my core research question and the second and the third sub-questions. For instance, I reviewed the statistics published by the UNCTAD World Investment Reports, ISO (İstanbul Sanayi Odası, Istanbul Chamber of Industry), ITO (İstanbul Ticaret Odası, İstanbul Chamber of Commerce), TUIK (Türkiye İstatistik Kurumu, Turkish Statistical Institute), the Ministry of Finance, the Ministry of Foreign Trade, and the Ministry of Foreign Affairs. The annual reports on the top 500 and second largest 500 industrial firms' activities published by ISO occupy a central place in the data used for this study. These reports profile the larger industrial firms in Turkey, demonstrate which specific sectors they operate in. This coverage was important to grasp and outline whether the larger firms operate in low or high value-added sectors. The statistics published by the TUIK also occupy a very significant place as they outline the activities of SMEs based on their performance in export and import and their share in the Turkish economy. Overall, reviewing the statistics published by different institutions helped me to conceptualise the different class fractions represented by different business associations, and to contextualise the impact of the tensions between the AKP and the different fractions of Turkish capital in response to the third sub-question of my research.

Also, in response to the second and the third sub-questions of my research, I utilised legal regulations, brought into force by Turkish Ministry of Foreign Affairs, Ministry of Economy, Ministry of Finance, and Ministry of Customs and Foreign Trade in the AKP era, which paved the way for the restructuring of the state. I also investigated the institutional changes within the structures and activities of these ministries to understand the reorganisation of the state apparatuses. Furthermore, I drew attention to Free Trade Agreements, Trade & Cooperation Agreements, Bilateral Investment Treaties, and international investments made by fractions of Turkish capital, which increased the bilateral flows of capital and protected international investors and thus facilitated the internationalization of the state apparatuses, which further paved the way for an increase in Turkish foreign trade.

1.5. Literature Review

The existing literature mentioned in this thesis is on the development of capitalism, the integration of Turkish business associations into global relations of free trade, and

the role of the Turkish state in global free trade relations have adopted inadequate approaches. This study, therefore, uses the concept of capital accumulation to grasp the historical specificity of the relationship between the global free trade relations and Turkish social formation as well as development of business associations and state-capital relations in Turkey. More precisely, the focus on relations of production will provide this study with an opportunity to unpack not only relations between classes (inter-class relations) but also within classes (intra-class relations). This thesis also challenges the argument that Taner Timur develops. He argues that the way in which Turkish state managers have tended to adopt capitalism does not fulfil the requirements of the logic of international capitalism since state intervention fettered national landowners and merchants in the national economy (Timur, 1987: 21). This thesis argues that Timur does not provide an adequate assessment of the logic of the development of capitalism in different spaces at different times. He also neither explains the role of the state in the global expansion of capitalism nor the articulation of capitalism in late capitalist countries. On the contrary, this thesis argues that the integration of Turkey into global free trade relations and the historical consolidation of capitalism in Turkey do not indicate a rupture in the history of Turkey, but a continuity in the restructuring of global free trade mechanisms.

The literature on the business associations refers to different conceptualizations from different academic circles. For instance, authors (Sönmez, 2010; Alkan, 1998; Boratav, 2014; Buğra & Savaşkan, 2014a) usually employ concepts such as “Kemalist bourgeoisie”, “Anatolian Tigers”, “Istanbul Capital”, “secular bourgeoisie”, “Islamist bourgeoisie”. The big distinction made by these scholars is that there are two camps of the bourgeoisie in Turkey. One is a secular bourgeoisie organised within TUSIAD, which is mainly based in the major cities such as Istanbul and Izmir and are loyal to secularism and democratic principles. On the other side, there is an Islamic-oriented capital fraction organised within MUSIAD and TUSKON, which are mainly concentrated in newly industrialised Anatolian cities. It is important to say that these classifications are certainly necessary in order to analyse the political conflicts and transformations in present-day Turkey (Öztürk, 2015:118). However, these classifications have significant weaknesses as they treat the big fraction of capital

organised within TUSIAD as part of political society, while the smaller fractions are conceived as part of civil society. Alternatively, TUSIAD is defined as the exclusive representative of the big bourgeoisie in Turkey. As I discuss later in Chapter V, over four thousand SMEs are also organised within TURKONFED (Turk Girişim ve İş Dünyası Konfederasyonu, Turkish Enterprise and Business Confederation), which is supported by TUSIAD (TURKONFED, 2016).

Conventionally known as Weberian institutionalism, the most prominent approach to the rise of Turkish business associations is based on different arguments. Most of the institutionalist approaches (Buğra & Savaşkan, 2014; Öniş & Turem, 2001; Oniş, 1997; Baskan, 2010; Atli, 2011) analyse the emergence and rise of MUSIAD with reference to centre-periphery approaches which basically argue that MUSIAD and TUSKON dominated the centre of Turkish capital in the 2000s. They further argue that the state supported the dominant fraction of Turkish capital organised within TUSIAD while MUSIAD and TUSKON flourished in civil society without getting direct assistance from the state. Some Marxist and Marxist-inspired approaches (Tugal, 2009; Sönmez, 2010; Marois, 2012; Savran, 2015; Tanyilmaz, 2015) explain the differences between these business associations based on their religious stances and use the distinction between an Islamic versus a secular bourgeoisie to characterise different business associations. These Marxist approaches define these business associations as monolithic entities without internal cracks and contradictions. Similarly, in explaining the rise and the development of MUSIAD and TUSKON, some liberal approaches employ an identity-based theoretical approach (e.g. Yavuz, 2003; 2009; Lorasdağı, 2010; Özdemir, 2014; Koyuncu, 2014; Balci, 2003). They define MUSIAD and TUSKON as representatives of the new urban middle class which emerged at the expense of TUSIAD. Additionally, this approach explains the organisation of MUSIAD and TUSKON as a struggle against the favouritism of the state towards the “Istanbul-based capital” represented by TUSIAD (Lorasdağı, 2010; Keyman, 2007; Özdemir, 2014; Demir, Ö. & Acar, M. & Toprak, M., 2004; Hendrick, 2009; Özel, 2015).

More precisely, they reduce class patterns to distributional conflicts and daily activities of businesspeople. This thesis goes beyond these simplistic explanations that mainly distinguish among business associations based on their cultural, religious,

and geographical features. With reference to several authors (Öztürk 2011; Ercan 2002a, Gültekin Karakaş, 2009a), I eschew using these concepts to define the fractions in Turkish capital since the definition of classes is not only determined by their religious, cultural and traditional stances but also by the way in which they engage in the social relations of production. Accordingly, this thesis defines classes in terms of their positions in the social relations of production.

1.6. Research Contribution and Relevance

This study makes a contribution to the literature on the relationship between global free trade relations and Turkish social formation, as well as the role of business associations in Turkey and the Turkish state in this process. Many studies in this area have disregarded the role of business associations, especially the role of TUSKON, and their relationship with the state apparatus. The first contribution of this thesis lies in its class-based analysis of business associations. Previous works have been limited to the cultural, religious and regional dimensions in their examinations of business associations. The limit to this literature is the neglect of class dynamics and characteristics of business associations. Rather than reducing particular positions of different business associations to their religious and cultural attitudes, this thesis examines them through an empirical analysis based on their positions in relations of production, exchange and revalorization. Even though there are many studies focusing on TUSIAD and MUSIAD from different perspectives, they do not examine how the firms belonging to these associations integrate into the production process, and which mechanisms they use in their integration into global free trade relations. In this sense, this thesis contributes to the literature on the integration of business associations into global free trade relations and the role of the state in this process from a historical materialist perspective based on the social relations of production.

Following a social relations of production-based approach, this thesis analyses the state and class relations in Turkey with a particular reference to Poulantzas. As it is essential for this study to establish the relationship between the state and capital concretely, the thesis examines the concrete relations engendered by the internalisation of global class relations. The second contribution of this thesis is, therefore, its focus on the internal relations between the state and business

associations. This relationship is not based on externality, because the state is not external to the relations of production. This thesis argues that the state in Turkey and the business associations are not entirely distinct from each other. There is always a dialectical relationship between different fractions of capital and the state in the power bloc. The uniqueness of this thesis lies in its analysis of the nature of the relationship between different business associations and the state in the AKP period based on the philosophy of internal relations.

Accordingly, the third contribution of this thesis is the analysis of the relationship between the AKP and TUSKON, which is largely neglected in academic circles. Although MUSIAD and TUSIAD have been studied many times in social sciences disciplines, there is little work on TUSKON, especially using a social relations of production-based approach. The contribution of the thesis, therefore, is the examination of the relationship between the AKP and TUSKON (and between TUSKON and other business associations). This means that the thesis examines intra-state, intra-class, and inter-class contradictions, and alliances which lead to changes at the state level. By so doing, it challenges the usual mainstream approaches that attribute the contradictions between different business associations to cultural, religious and geographical factors, rather than different positions in U&CD.

This study also examines how Turkey integrates into free trade relations and reveals differences between Turkey and advanced capitalist countries, which appear in the patterns of capital accumulation. This is based on the autonomous dynamics of the development of capitalism inside Turkey. In this sense, the contribution of the thesis is the focus on sectoral and social integration patterns, which helped Turkey to integrate into global relations of free trade. It sheds new light on the specific ways in which different business associations integrate into the relations of production in Turkey, how they integrate into relations of free trade. It benefits both from theories of imperialism and a neo-Gramscian analysis of the U&CD approach with a particular attention to free trade.

1.7. Overview of the Thesis

The structure of the thesis is as follows. Chapter II and III provide a theoretical framework for the thesis. These chapters outline the theoretical background of the

free trade and the state, and critically engages with the mainstream theories of political economy, namely classical, neo-classical and institutional. Contrary to mainstream approaches, Chapter II argues that free trade is not a win-win situation for all parts engaged in, and it does not create an economic convergence among the countries engaged in it. Additionally, this chapter argues that divergence between countries, regions and sectors are neither the result of market imperfections nor state failures. Rather, this chapter argues that, as a result of the uneven expansion of capitalist relations of production, free trade creates global unevenness not only between countries but also between sectors, regions, and classes engaged in production, circulation and revalorisation processes. In this regard, the chapter pays attention to the structural peculiarities of each site in which free trade takes place, and its primary concern is to grasp the role of business associations in facilitating free trade relations, with a specific focus on the transnationalisation of production. In this regard, the chapter provides theoretical and empirical contributions to an analysis of the state and business associations engaging free trade relations. To do so, it initially engages with Marx' and Engels' analysis of free trade, which pays attention to the social relations of production and the global exploitation of labour. Subsequently, the chapter engages with theories of imperialism and the U&CD approach with regards to unequal exchange relations between countries. Unequal exchange refers to the trade of goods whose prices of production are not equal, which is a result of the differences in sectoral productivity in unevenly situated parts of the global capitalist system (Amin, 1976: 215). This then uncovers the argument that exporting capital is the way capitalism in core countries reproduces its process of capital accumulation by reinvesting surplus value and thus increasing the profits of transnational capitalist classes. Accordingly, it demonstrates how companies engage in production relations in peripheral countries. It argues that a global free trade system based on unequal exchange relations reproduces the social relations of production which are associated with the division of production into segments and the creation of transnational production networks.

Chapter III examines the theoretical foundations to the capitalist state, the role of the state in global free trade relations and intrinsic and complex relations between the

state and international/transnational firms. Accordingly, the chapter provides a neo-Gramscian explanation on the definition of the state with a specific reference to Poulantzas. This also includes the examination of the role of the state in this process. The central question of this chapter is: how has the role of the state changed in the process of internationalisation of capital? In order to unpack this, the chapter draws on the works of Poulantzas, who was inspired by Marx, Lenin, Althusser and Gramsci. It provides an alternative approach to mainstream theories to analyse the contradictions at the state level, the ability to capitalist state to manage the tensions between different power groups and capital fractions. It also examines the class struggle and power relations between different power groups and capital fractions within the power bloc. This is associated with the motivation behind structuring and constructing of the state's regulatory roles in the free trade relations. Specifically, the chapter establishes connections between the concepts such as "relative autonomy" and "hegemony" in order to understand the way in which the relationship between the state and business associations is established and formed. Accordingly, the chapter outlines how the capitalist state manages the global expansion of capital, more precisely, it uncovers the role of the state in global free trade relations which included internalisation of the interests of the international/transnational capital within a specific country and securing the conditions of social relations of production. Overall, this chapter provides an analytical framework to understand the contradictory process which intensified the conflicts, tension, alliances and compromises between Turkish state and business associations, which is associated with the integration of business association into global relations of free trade.

Chapter IV provides a chronological and systematic analysis of the historical development of capitalism in Turkey with the aim of outlining the emergence of business associations and the shifting patterns of state-capital relations. The main purpose of this chapter is to establish links between global free trade relations and the historical consolidation of capitalism within the context of the Turkish social formation. The analysis is based on three levels of analysis which is common in every neo-Gramscian study, which are social relations of production, relations at the state level between state and business, and global integration of business associations into

free trade relations. Accordingly, the chapter draws attention to the changing patterns of capital accumulation in Turkey so as to grasp the change in the social relations of production within a historical framework. This chapter argues that the development of capitalism is not a linear progression and that Turkey has integrated into global capitalism in a different way from core capitalist countries. The core capitalist countries integrated into the global free trade relations through the export of capital, on the contrary, Turkey has integrated through the import of industrial capital. In accordance with the theoretical approaches articulated by Trotsky ([1930] 2000), Christian Palloix (1977), Poulantzas, ([1974] 1975), Leo Panitch & Sam Gindin (2004), and Andreas Bieler & Adam David Morton (2014), the chapter argues that the integration into global free trade relations has created global and regional unevenness between the class constituencies of different business associations in Turkey. Firstly, the chapter demonstrates the historical conditions in which Turkish business associations have emerged and developed, so as to showcase the historical uniqueness of Turkish business associations in their ways of engaging in global free trade relations. Secondly, it examines how the complex relations between the state and business associations are reflected within the power bloc. Accordingly, it provides an overview of the ways in which business associations have internalised global free trade relations in the particular Turkish context. In what follows, the chapter examines the historical development of capital accumulation in Turkey in tandem with and on the basis of the shifts in the social relations of production at different times. Accordingly, the chapter divides the process of capital accumulation in Turkey into three different but connected periods which are: (i) commercial and agrarian capital accumulation until the 1950s, (ii) industrial capital accumulation based on the ISI (Import Substitution Industrialisation) model until the 1980s, and (iii) export-led capital accumulation in the post-transition period which is associated with the internationalisation of Turkish capital. In this sense, the chapter divides the internationalisation of Turkish capital into three periods, which are: (i) internationalisation of commercial capital (1980-1989), (ii) internationalisation of money capital (1989-2001), and (iii) internationalisation of productive capital (2001-present).

Chapter V argues that TUSIAD has been a played a significant role in integrating Turkish larger capital fractions into the global free trade relations. This chapter provides an empirical analysis of the role of TUSIAD in the social relations of production. Accordingly, the chapter explores the emergence of TUSIAD within the context of shifts in patterns of capital accumulation in Turkey. In this regard, it draws attention to the different means of capital accumulation which TUSIAD-affiliated companies engaged in different periods. Contrary to the claims of mainstream approaches, the analysis of TUSIAD in this chapter is not only based on regional, religious or cultural dynamics but also and more precisely, the position of TUSIAD affiliates within the social relations of production. In this sense, mainstream concepts like Istanbul bourgeoisie, secular bourgeoisie, and Kemalist bourgeoisie are discussed and critiqued or situated in class terms. Subsequently, the thesis examines the nature of the relationship between the state and TUSIAD in order to map out the role of TUSIAD in the reproduction of hegemony throughout different stages of the internationalisation of capital. In this sense, it reveals the contradictory nature of power and class relations within the power bloc. It also analyses the integration of TUSIAD-affiliated companies into global free trade relations. It then explores the extent to which TUSIAD-affiliated companies have internalised global relations of free trade within the context of Turkish social formation. In accordance with this aim, the chapter analyses some specific companies within TUSIAD, such as KOÇ Holding, Sabancı Holding, Anadolu Group, Cukurova Group, and ENKA Holding.

Chapter VI argues that MUSIAD mainly composes of SMEs, the members of MUSIAD mainly operate in low-tech industries, and they mainly target Middle East and North African countries in their integration into the global free trade relations. This chapter examines the second empirical case of this thesis which is MUSIAD. The main purpose of this chapter is to analyse the role of MUSIAD in global free trade relations and to examine the relationship between MUSIAD and the state. Firstly, the chapter explores the ways in which MUSIAD-affiliated companies are situated in social relations of production, and at the same time, it examines how MUSIAD mediates the consolidation and survival of different class fractions. Accordingly, the chapter uncovers the dominant sectors in which MUSIAD-affiliated businesses operate and

outlines the divisions and convergences between MUSIAD-affiliated companies and other companies affiliated with TUSIAD and TUSKON. This is crucial in situating the class positions of MUSIAD-affiliated companies. This analysis is based on the ways in which MUSIAD members are situated in the relations of production, foreign trade and reproduction. Moreover, the chapter examines the tensions and divisions between the different fractions of capital represented by MUSIAD. Accordingly, this chapter focuses on the member firms of MUSIAD in provincial cities and explores the differences between larger and smaller businesses organised within MUSIAD. This analysis also provides an overview of the role of SMEs in Turkish foreign trade. In what follows, the chapter explores the role of MUSIAD in the power bloc in order to unpack the dialectical relationship between MUSIAD and the state. The chapter argues that the internationalisation of Turkish productive capital in the 2000s changed the nature of the relationship between the state and capital in Turkey. To illustrate this, it examines the planning and promotion services provided by municipal governments in provincial cities.

Chapter VII argues that although there are larger capital groups within TUSKON, it mainly composes of SMES which mainly operate in health, education and construction sectors. This chapter presents a contribution to the literature on TUSKON from within a neo-Gramscian approach. Firstly, it examines TUSKON in terms of its place in the social relations of production in Turkey in order to map out and define the class characteristics of TUSKON-affiliated companies. Contrary to mainstream approaches, this chapter does not reduce the particular class positions of TUSKON members to the religious and cultural frameworks, and examines TUSKON through an empirical analysis based on relations of production, exchange and reproduction. In relation to this, the chapter initially examines the historical development of TUSKON, and examines to what extent TUSKON members engage in the process of production, exchange and reproduction. For this purpose, it also explores the sectoral and regional unevenness between TUSKON members and the larger businesses represented by TUSIAD. This analysis envelopes the theoretical arguments of the uneven development approach mentioned in Chapter II. In what follows, the chapter examines the power and class relations which TUSKON-affiliated

companies and Gülenists enter into within the power bloc. In this regard, it demonstrates the political class struggle which occurs between different business associations and power groups represented inside state apparatus. Furthermore, the chapter investigates the crucial role of the TUSKON in the hegemonic project of the AKP governments until 2013. In this regard, the chapter examines the alliance between the Gülenists and the AKP in the constitutional referendum process in 2010 with the purpose of clarifying the shifting patterns of the political class struggle within the power bloc. In its final section, the chapter pays particular attention to the ways in which TUSKON members integrate into global relations of free trade. In this analysis, specific companies like BOYDAK Holding, Orkide Group, and Naksan Holding are investigated to examine the international integration of TUSKON-affiliated larger-scale capitalists. In order to illustrate the space of SMEs affiliated with TUSKON and the specific forms of their integration, the chapter investigates the role of Turkish schools funded by TUSKON-affiliated companies and the effectiveness of trade bridges and conferences organised by TUSKON.

Finally, Chapter VIII provides conclusions and reflections on the thesis. Having provided various theoretical arguments and advanced various concepts, the chapter discusses the material findings of the thesis in relation to the research questions. In its final section, the chapter concludes by making proposals for future research.

2. Chapter II: Theoretical Framework on Free Trade

This chapter aims to analyse the concept of free trade in tandem with the process of the international expansion of capital as well as the role of agencies engaging in this process. As a historical materialist study examines entities in their structural totality as well as the dialectical relationships between structure and agency, the analysis of free trade cannot treat the marketplace as a distinctive sphere separate from the relationship between structure (the free trade system) and agents (business associations and the state), or between the general and the specific. Therefore, this thesis examines the structure of the contemporary free trade system and the agencies engaging in these relations. In response to my core research question which explores the relationship between the developments in the global free trade system and Turkish social formation, it is important for this thesis to define the concept of free trade.

To outline and contextualise the theoretical background of the free trade, this chapter critically engages with the main approaches to free trade from mainstream theories of political economy: classical, neo-classical and institutional. As the advocates of current free trade policies obtain most of their theoretical inspirations from the classical political economists, such as Adam Smith, David Ricardo and John Stuart Mill, this chapter outlines these theorists' underlying assumptions about free trade. This will add insight to this study, and to establish links between current development in global free trade system and the system's impact on the Turkish social formation. In addition to this, the thesis outlines neoclassical approaches to free trade policies, which are mostly influenced by their classical predecessors. In the third section, the chapter outlines the institutional approach to political economy and its assumptions about free trade. Emphasising the basic tenets of the institutional approach, this section will establish links between the role of the state in the global free trade relations from the institutional political economy perspective and how it can be applied to the Turkish case.

Having discussed these approaches, this chapter critically engages with these mainstream theories from within a historical materialist perspective. To do this, it initially uses Marx' and Engels' analysis of free trade, which places special emphasis

on the social relations of production and the global exploitation of labour. As a subsequent step, it engages with theories of imperialism and the U&CD approach to better understand the impact of unequal exchange relations between countries, which leaves the countries in the Global South backward, while enriching the countries in the Global North. It then provides a final analysis in the conclusion.

2.1. Classical Political Economy

2.1.1. Adam Smith and Free Trade

Talk of free trade from within mainstream theories has usually been associated with the idea that free trade leads to economic growth and increases productivity through expanding the division of labour and transferring technology. This is considered by mainstream theories that each part engaging in free trade will ultimately benefit from it. The idea held by Adam Smith and his successors is that free trade is a win-win situation for all parties engaged in it (Yarbrough & Yarbrough, 2000:37). This argument mostly shared and memorably articulated by Adam Smith.

The organisation and the structure of Smith's thoughts are built on the assumption of the self-interested actions of individuals (Smith, 1976:36). By stating that individuals ought to be free to act without restrictions on their actions, Smith provides an atomised understanding of the individual (Smith, 1976:33). The individual is constructed as a generalised category, becoming the central unit of analysis in the politico-economic thought of Adam Smith (Smith, 1976, CH. IV). Smith is, therefore, one of the most important exponents of the concept of individual freedom in free trade (Stanford, 2008:53). Accordingly, his works on free trade are also deeply rooted in his explanations and categorizations of the nature of individuals and society. His unique strategy is to identify the individuals as an independent unit of analysis, theorising free trade as an abstract connection between individual economic freedom and free trade that masks the exploitation of labour. Ignoring the class-divided nature of capitalist society, Smith argues that if each individual is allowed to act exclusively towards his or her self-interest, he or she will contribute to the common good of society in the long-run (Smith, 1976:36). The two main weakness of this idea are that it overlooks the unevenness among individuals in terms of access to resources, and that it does not consider structural burdens on the

productive forces. As Marx has already pointed out freedom in capitalist society is the freedom of workers to sell their labour (Marx, 1990: 416). Labour is not a typical commodity and capital emerges from the exploitation of labour, not simply from the free exchange of commodities. Smith, therefore, fails to see the peculiarities of the capitalist society in terms of structural position of the working class.

The ideal economic system that Smith suggests can only come into fruition through the establishment of a free market. Smith defines the 'free market' as an economy in which competition takes place between self-interested individuals who engage voluntarily in foreign trade (Smith, 1976:76). This competition among self-interested individuals is led by an invisible hand, which is a metaphor used by Smith to describe the effect of competition among self-interested individuals (Smith, 1976:181). This competition, for Smith, therefore provides each individual and the state an opportunity to produce the greatest possible value (Smith, 1976, 456). As individuals aim at maximising their interests, competition within the economic sphere would increase the revenue of the society.

Smith, in this regard, develops a theory of *absolute advantage* based on the division of labour between trading countries, rather than following the principles of mercantilism for national self-sufficiency. According to this theory, it becomes beneficial for one country to specialise in those goods which it can produce at a greater rate than competitor countries. Therefore, a country ought to export goods which it can produce at a lower cost, thus providing itself with an absolute advantage (Smith, 1976, CH. I).

Smith's main political proposal is therefore to abolish taxes, restrictions, duties, and prohibitions imposed on the basis of the mercantilist doctrine. Smith's classical economic theory requires overcoming all the barriers to 'individual freedom' in economic activities (Viner, 1927:213). He, therefore, contends that restrictions upon free trade hamper the freedom of individuals and, consequently, decreases the benefits of each country engaged in trade (Viner, 1927:213). If restrictions on free trade (government subsidies, tariffs, quotas etc.) are absent, individuals' rational self-interest for increasing their individual wealth also promotes the economic wealth of each country at a national and global scale (Smith, 1976:357-8).

It must be noted that Smith's objections to restrictions to free trade here leave unnoticed certain outcomes of this strategy, which in practice resulted in colonial expansion. The idea that free trade increases the wealth of nations could constitute a dramatic subjugation of advanced countries over the backward ones, which fundamentally violates the rights of both individuals who are freed from the means of production and countries unevenly inserted in global trade relations due to technological deficits. If each country specialises in producing a specific commodity, this will inevitably result in asymmetrical interdependence between countries. In this sense, the Smithian understanding of free trade is far from promoting that of the economy more efficiently. Rather it poses a significant challenge for the countries struggling with backwardness.

2.1.2. David Ricardo and Comparative Advantage

Arguments for free trade also rest on another important thinker in the area of free trade, David Ricardo, who argued that countries engaging in free trade produce receive benefits from comparative advantage rather than absolute advantage. By formulating the law of comparative advantage, Ricardo extended the scope of Smith's theory of absolute advantage and made a major contribution to theory of free trade. Ricardo's law of comparative advantage was born out of his considerations on trade between England and Portugal. This theory suggests that every country ought to produce goods in areas where it has a comparative advantage (Ricardo, 2001:126-7). The measure of comparative advantage is made by looking at what each country has in excess of the produce from specialisation and free trade, compared to what it would have had if it had produced the products itself. Ricardo proposes that if Portugal produces wine, while England produces cloth or hardware, each can benefit from the free exchange of these goods or, in other words, free trade (Ricardo, 2001:126-7). Whereas the absolute price of wine is lower in Portugal than England, the absolute price of cloth or hardware is lower in England than Portugal, so that free trade reduces prices in both countries (Ricardo, 2001:126-7). Ricardo's example tends to suggest that free trade between countries carries the potential to increase the wealth of countries, since each country produces goods where it has a comparative advantage. Ricardo also contends that this argument held even when

one country has an initial absolute advantage in producing both goods. This country, as Ricardo suggests, should specialise in producing the good in which it has a lower opportunity cost. Having done this, the country should exchange this good for another country's surplus, through which both of the countries will be benefited more, compared to what they would have had if they had produced both goods themselves.

Following similar lines of economic thought to Adam Smith, Ricardo's writings on foreign trade mostly focus on the benefits of free trade. Ricardo and Smith are, therefore, critical of mercantilism because the restrictions on free trade would, in their perspective, result in a decline in economic efficiency in both countries. As countries engage in free trade because of the differences in prices between countries (Ghatak, 2003:354), it is considered as an efficient mechanism to minimise the costs of production. Further to this, Ricardo tends to suggest that free trade paves the way for allocating worldwide resources more efficiently, and increases global aggregate welfare (Hunt & Lautzenheiser, 2011:119). In this regard, Ricardo contends that free trade would increase the wealth of all countries involved.

The assumptions made by Ricardo, are problematic and unrealistic in terms of the outcomes of his theory of comparative advantage. It is evident in practice that if England specialises in machinery, while Portugal has an absolute advantage in agriculture, this will result in an asymmetrical interdependence between these countries. This means that Portugal will never specialise in machinery or hardware because of the differences between values of products. Thus, the market leader will ultimately be in a position to take advantage of its specialisation in machinery to capture whatever gains emerge from trade. This dubious argument is also common to Smith's theory of absolute advantage. The main problem common into both Smith and Ricardo is they overlook the fact that some countries will specialise in producing lower-value-added products, while some countries will specialise in higher-value-added products. This, in turn, constitutes the dynamics of uneven historical development. In the current era of neoliberal free trade, core capitalist countries still enjoy an absolute supremacy in producing high-value-added products (Kiely, 2012: 165). Therefore, this view is problematic in a sense that free trade did not increase

the wealth of the countries in an equal way. Some countries may end up poorer than if they had avoided free trade and encouraged the development of domestic manufacturing.

Another problematic assumption of Ricardo's law of comparative advantage is that it has no notion of class other than as a recipient of the type of income. This evidently masks the exploitation of workers within the productive forces engaging in the relations of production and relations of unequal exchange. Free trade, therefore, must be analysed as a generalisation of commodity production at a world scale. This tends to require, therefore, that a political economist to bear in mind the social forces engaging in any particular set of production relations. The regime of unequal exchange is closely associated with, if not indissociable from, the transfer of surplus value from low-income countries to high-income countries. This leads to uneven growth patterns disavouring countries at the periphery, a problem stemming from the unequal exchange of labour and income distribution between wealthy and poor countries (Weeks 2012: 99; Saad-Filho, 2005; Weeks, 1981:118; Patnaik, 2005:71). This tells us that international free trade has different impacts on different classes and nations. Chapter IV also demonstrates that the integration of Turkey into the global free trade relations has changed the class and power relations within Turkey at the expense of the dominated classes (Gulalp, 1985: 334; Savran, 2002: 6), suggesting that national wealth is not the only relevant consideration.

Also, Ricardo imagines that commodities, labour and capital can move freely between industries but cannot move freely between countries (Ruffin, 2002:729; Ricardo, 2001:127). Apparently, this assumption no longer holds. Considering that capital is highly mobile across national borders, this results in deindustrialisation in backward countries because the advanced countries are still able to protect themselves by imposing high trade tariffs while prohibiting others from doing this. Moreover, free trade leads unbalanced trade between countries, economic crises and unemployment (Hart-Landsberg, 2013: 76). Chapter IV demonstrates that Turkey suffers from a \$100 billion foreign trade deficit which is a direct result of the unequal exchange regime which is maintained by global free trade relations (See, Chart 3).

Another dubious assumption of this theory is its prediction that working people who lose their jobs as a result of free trade will automatically be employed in the expanding export sector. This does not allow for the possibility that workers are not productive in alternative sectors. In practice, free trade often results in unemployment in the newly liberalised economy, as workers are simply laid-off rather than redeployed (Hart-Landsberg, 2013, 75-76). It is important to note at this stage that full employment under capitalism, as Marx has already stated, is a vulgar fantasy (Shaikh, 1980: 33). Capitalism is prone to create and maintain a reserve army of unemployed in the case that capital needs to change its valorization requirements to reproduce the whole cycle (Marx, 1990: 784). In summation, it is evident that in all its various forms, the proposed free trade systems by Smith and Ricardo have created and deepened global unevenness.

2.1.3. John Stuart Mill and Challenges to Free Trade

In spite of his adherence to classical political economy, J. S. Mill criticises free trade doctrine and argues that restrictions on free trade might be justified in some instances, especially in young and rising nations (Mill, 2001:1067). Mill draws attention to the fact that the older nations have superiority in industry, and they are able to produce goods at lower costs than in the new countries (Mill, 2001:1069). In this regard, it is reasonable to protect new industries in their early stages of development. This protection would, therefore, enable new industries to compete against the industries in developed countries. However, J. S. Mill implies that this protection ought not to be permanent and not to be extended beyond the time necessary for the new industry to become capable of competing against the industries in older nations (Mill, 2001: 1069). J.S. Mill's critics on free trade still have a profound influence on current approaches which argue in favour of state intervention in the field of foreign trade. Moreover, his ideas provided an intellectual basis for the infant industry argument (List, 1885), which describes a protective system based on the idea that governments ought to support and protect new industries in their early stages (Chang, 2002: 3-7).

2.2. Neoclassical Political Economy Approach to Free Trade

Neoclassical approaches are similar to Smithian understandings of the free market in which each actor engaging in free trade benefits from extensive market trading since the aggregate effects of the actions of self-seeking individuals serve society's interests (Daal & Walker, 2014: 42). This is the basis of a well-functioning market that it can provide the state of equilibrium for sellers and buyers in the market: a state in which supply and demand become equal (Stanford, 2008:56). Proponents of this theory of political economy rely on many of the same assumptions as David Ricardo's theory of comparative advantage. This generally contends that trade liberalisation will lead to increased trade, contributes to economic development, stimulate more rapid technological change, and create an international equilibrium and a thoroughly inefficient economic reallocation of resources from inefficient import substitutes towards more useful and efficient exportable goods. These assumptions lead to policies of opening up the national economy and financial market to the world market, privatisation of state enterprises and elimination of barriers to free trade.

2.2.1. Outward-Looking Free Trade Strategy

Neoclassical approaches argue for outward-looking free trade strategies which promote global trade liberalisation and competition in the arena of foreign trade. In particular, these approaches claim that outward-looking free trade is one of the most important stimuli for economic development, in contrast to an inward-looking economic policy (Krueger 1980: 7). Outward-looking free trade refers to an exchange system which promotes export within an 'open economy' which, in turn, relates to a system in which there is no extensive state-led control through taxes, exports and quotas, and is often applied to countries whose tariff rates are below 40 percent (Sachs & Warner, 1997:185). Inward-looking foreign trade, in contrast, refers to an exchange system based on protectionism in foreign trade, which involves the application of high tariffs and import barriers (Belassa 1999: 1667).

Neoclassical approaches contend that countries can achieve higher rates of growth by adopting an outward-looking rather than an inward-looking strategy (Krueger, 1997:1). They, therefore, contend that developing countries, in the early stages of their economic development, can gain from an outward-looking free trade system.

This can be accomplished by harnessing labour-intensive production which yields comparative advantage (Edwards 1997; Baldwin 2003: 500; Krueger et al. 1981). This, as neoclassicals suggest, leads to the claim that free trade has created new opportunities for workers in the developing countries, and consequently it has raised the wealth of workers in advanced and developing countries.

But the actual effects of these policies deviate from such expectations. According to World Bank statistics, unemployment rate of the OECD members was 6.7% in 1991, 8.3% in 2010, and it was 5.7 in 2017 (World Bank, 2018). This shows there has not been a significant decline in unemployment rates in the OECD members in more than two decades, on the contrary it has increased to 8.3% in 2010 after the global financial crisis. Millions of workers have lost their jobs because of the trade liberalisation (War on Want, 2009: 29). This was a sort of illusion presented by the neoclassicals. Free trade between uneven parts of the global capitalist system has brought considerable benefits to capitalists rather than workers. As Marx had already pointed out in his speech on the question of free trade, 'free trade is the freedom that capital has to crush to workers' (Marx [1848] 2000: 30).

2.2.2. Competition and Global Trade Liberalisation

The neoclassical approach goes beyond Ricardo's theory of comparative advantage, which focuses narrowly on two countries and two commodities (Winters 2004: F6). Instead, this approach takes a step further by introducing the idea of global liberalisation in the arena of foreign trade, by encouraging competition not only in the international market but also the domestic (Golberg & Pavcnik 2004:8). This is the theoretical argument that such competition is likely to stimulate economic growth because it increases the technological capacity of countries (Winters 2004: F5; Krugman & Obstfeld, 1994:18). As a result, this tends to suggest that such competition increases production at the domestic level (Winters 2004: F5). This means that productivity and technology transfer, with knowledge spreading from developed countries to developing ones through free trade, can generate more employment and more equitable income distribution in both developed and developing countries (Dollar & Kraay, 2004: F26).

These assumptions of neoclassical theory regarding the benefits of free trade are problematic in many ways. First and foremost, in practice there is little transfer of technology and know-how to host countries because of the geographical dispersion of production caused by free trade. This inevitably leads a trade surplus in the core countries, which cheapens the costs of borrowing and further leads to investment from the core countries (Kiely, 2007: 19). This, in fact, is deducible from neoclassicals' abstract assumptions (Albo, 1997: 8). Contrary to this deductive model, free trade increases imbalances in the relations of production and commerce across regions and countries, which results in uneven development (Shaikh, 1979: 80). As Chapters V, VI, and VII argue, because of the integration into global free trade relations companies operating in high-value-added sectors in the Marmara region developed at the expense of the others operating mainly in the South and South-east regions of Turkey.

The neoclassical approach also ignores the fact that trade liberalisation enhances the power of capital and countries in the Global North at the expense of the working class and countries in the Global South. Despite this observable reality, one of the theoretical arguments suggested by neoclassical approaches is that free trade will lead economic convergence among countries involved (Dollar et al., 1988:44). This means that prices, incomes and wages in developing countries become more similar or converge with developed countries. In other words, neoclassical economists tend to claim that developing countries could catch up with developed countries by importing modern technologies and capital from the developed countries in a context of free trade (Sachs & Warner, 1995:3).

This argument of neoclassical approaches depends on several problematic and unrealistic assumptions. Many studies indicate that there is a slower rate of growth in countries in the South because of the implementation of the neoliberal free trade policies. Although international trade has increased more than tenfold in the post-war era, most of the backward countries have not experienced convergence either in growth or income. Obviously, there is convergence in commodity prices because of the reduced tariffs and dismantling of barriers to foreign trade (Hanieh, 2009:62), but divergence has occurred in factor prices because of restrictions on cross-border

labour movements (Nayyar, 2006: 149:157). This is not a kind of divergence envisaged by the neoclassical approach and undermines the argument that trade leads to convergence. As Chapter IV demonstrates, following the implementation of free trade unemployment rates increased, real wages went down, and income inequality increased not only in countries in the Global South but also in the countries in the Global North (UNCTAD, 2013:74). The evidence from the Latin American countries in the last two decades of 20th century supports the view that openness to trade in backward countries does not reduce wage inequalities contrary to neoclassical claim that freeing foreign trade would entail a convergence in real wages (Albo, 1997: 11). Growth of real per capita GDP was -0.6% between 1980 and 1989 in Latin America and Caribbean Countries (World Bank, 1990: 11). The North American Free Trade Agreement (NAFTA) signed between the USA, Mexico, and Canada provided an opportunity for US capital to achieve an international domination, which is enforced by finance capital and multinational companies. On the other hand, real wages and the share of wages and salaries in Mexico have fallen sharply after the implementation of NAFTA (ibid, 9). Furthermore, Latin America's share of manufactured value-added goods decreased from 7.1% to 6.7% from 1980 to 1997, the period in which free trade was implemented (Kozul-Wright & Rayment, 2004: Table 3, p.14).

The situation is not different in Africa, where neoliberal free trade policies have been forcefully implemented (JASPA, 1992: 1). For instance, trade liberalisation did not create high employments for millions of people in the African countries (War on Want, 2009: 3). Real per capital income in most of the sub-Saharan African countries declined by 1% in 1991 and 2% (JASPA, 1992: 1-2). More than half of the African working class still live in desperate poverty (Hilary, 2009: 5). In addition to this, more than 85% of women workers in South Asia and sub-Saharan Africa are classified as economically vulnerable (War on Want, 2009: 3). The average per capita growth rate of the African countries, compared to developed countries, was -0.7% per capita per year between 1980 and 1999, the period which is called as the era of industrial revolution in the third world (World Bank, 1990: 11; Chang, 2002: 132-134). Arguing from another perspective, Catherine Gegout also finds that trade in fish between

African countries and the EU countries have mostly worked to the advantage of the EU states (Gegout, 2016: 2119). She also argues that, although free trade led to localised improvements in some African countries, it generally increased unemployment and poverty, harmed access to health and education, and undermined women's labour market position (Gegout, 2016: 2192).

The workers in developed countries, as well as in backward countries, have also been negatively affected by free trade policies. The Global Europe Strategy launched in 2006, which seeks to harmonise the European Union (EU) system with the US regulatory system to increase the comparative advantage of EU corporations at the expense of workers (War on Want, 2009: 23), proposed further trade liberalisation and investment. In line with this strategy, the fundamental rights of European workers, such as collective bargaining, and the rights to unionise and strike, have been eroded and subordinated to the demands of capital. More importantly, millions of workers in the EU countries have lost their jobs because of this strategy. For instance, the unemployment rate in the EU countries increased to 11.1% in 2015 from 7.2% in 2007 (ILO, 2014: 18). This rate is much higher among young people: 18.3% of the young labour force is unemployed in the EU countries (ibid: 21).

In summation, the arguments put forward by neoclassical approaches mask the fact that free trade reproduces a much broader political and economic agenda: the expansion of capital so as to gain more profit and create more opportunities for profit-making. It is the shifting patterns of the expanded free trade agenda after the Uruguay Round which constituted a basis for expanded unequal exchange relations. The WTO Doha negotiations starting in 2001 aimed to deepen this new agenda of global free trade further in these areas. However, this process has stalled due to the resistance of backward countries and contradictions between different parties to the negotiations. In response to these problems, core capitalist countries such as the EU countries, the USA, South Korea, and others have engaged with bilateral free trade agreements (Bieler & Morton, 2014: 41). As the following chapters discuss in detail, these FTAs have expanded further in relation to developing countries like Turkey in the 2000s (see tables 2 and 3). This process is mainly a way of integrating peripheral countries into the global relations of free trade (Bieler & Morton, 2014: 42). Overall,

the claims of neoclassical economists do not conform to the reality of backwardness of less-advanced countries and societies in the global capitalist system. More importantly, this demonstrates that the process of free trade, as a global strategy, undermines rather than enhances the interests of the transnational working classes.

2.3. Institutional Political Economy

The institutional theory of political economy draws its inspirations regarding free trade from Karl Polanyi and the writings of the classical political economist, J.S. Mill (Hunt & Lautzenheiser, 2011:186). Polanyi argues that global institutions of trade between communities, historically speaking, arise prior to the establishment of a global market (Polanyi, 1963, 31). The dominating motivation behind a country's engagement in free trade was to 'obtain goods from distance' (Polanyi, 1944: 62). At a later stage, foreign/external trade became a kind of interaction between different nations/countries by changing international market patterns (Polanyi, 1944: 62). The core of current approaches to free trade from within an institutional political economy approach is the emphasis that this interaction may generate social and economic costs for countries because of the differences in institutional structures and levels of economic development (Polanyi, 1944: XXXVI). Such costs arising from free trade include unemployment, environment degradation, financial crises and deterioration of social ties, all of which are imposed on developing countries (McClintock, 1991:359).

Institutionalists depart from neoclassicism regarding the content and the extent of the intervention which is desirable in a market in which free trade occurs. For institutionalists, the economy is not considered as an area that ought to freely operate without restrictions/regulations (Clark, 1955: 462). In this sense, institutionalists tend to argue in favour of various forms of planning in the market so as to manage the consequences arising from the interaction with other countries (Veblen, 1915: 46), but without eliminating free trade as a basic principle. This involves the application of trade adjustment policies, high tariffs and import barriers to advance the positions of domestic agents and protect national economic interests (Chang, 1994:307). This can be achieved through encouraging comparatively disadvantaged industries at a national scale, whilst supporting comparatively

advantageous ones at the global level (Ozawa 1987: 45-61). Ultimately, the institutionalists argue that it would be possible to gain more benefit from foreign trade by focusing on adjustment and planning policies in developing countries, applying free trade selectively, rather than across the board. The growth of economies of East Asian countries such as Singapore, South Korea and (more recently), China is often held up as evidence for this approach.

However, it is evident that the development of these Asian countries reflects the interest of multinational companies, which are primary agents of the economic imperialism (Kiely, 2010: 122). This is to say that the institutional approach only takes into account relations of commodity exchange and so-called competitiveness of local firms in the world market, and ignores the fact that the growth of Asian countries creates global and regional as well as national contradictions and unevenness (Hart-Landsberg & Burkett, 2005: 113). Furthermore, the institutional approach, which is based on earlier historical cases, ignores the shifting nature of free trade in the late 20th century. In this period, companies do not prefer to produce in their home countries if they can produce elsewhere more cheaply. Hence the strengthening of local capital does not necessarily have beneficial effects for the national economy, society or working class, as institutional wrongly assume. As detailed in Chapter IV, the transnational fraction in TUSIAD prefers to produce in countries which have more labour flexibility and low costs of labour power, rather than producing only in Turkey (Introduction 1, 18 Aug 2016). In the same way, Korean companies have shifted their investments to China because of the need for more labour flexibility and a cheap labour force (Hart-Landsberg, 2013: 54). Furthermore, despite its export-led growth strategy, China's rapid growth has come at the expense of the working class, and it has not achieved any success in expanding job opportunities (Hart-Landsberg & Burkett, 2005: 112-13). Moreover, the profit of Korean companies producing in low-wage countries flows back to the home country (ibid). Despite their economic development, most of the East Asian countries have suffered from worsening working conditions and intensified exploitation of workers in the countries which have more labour flexibility. This can be understood as a structural effect of the imbalances which free trade creates. In addition, the US-Korea Free Trade Agreement

signed in 2007 does not consider the impact of imports on employment. If an increase in exports raises employment, at the same time, an increase in imports decreases employment (ibid, 102). For instance, there has been a loss of 159,000 US jobs between 2008 and 2015 as a consequence of the FTA signed with South Korea (ibid, 105). Thus, it must be concluded that both Korean and US multinational corporations have benefited, even disproportionately, from the FTA, on the one hand, yet workers in both countries have been pushed to work under more stressful and flexible conditions or else laid-off, on the other.

2.4. A Critical Engagement with Mainstream Approaches

Lacking a methodological and empirical focus on the mechanisms and operations of the essence and appearance of free trade relations leaves the analysis of free trade in mainstream theories problematic. Such analysis does not provide a solid understanding of neoliberal free trade policies, in particular in the case of Turkey. The proposed argument of my research unfolds in relation to three central problems with mainstream theories.

The first premise that mainstream theories overlook is the social relations of production. As they ignore the exploitation and subjugation of workers which have emerged via the mechanisms and operation of free trade, they cannot forge connections between abstract concepts (such as class and value) and their practical and concrete presence (such as wages, prices, and profits). Rather, the focus of mainstream theory is on the circulation and distribution spheres. As outlined in the previous sections, classical and neoclassical approaches mask the process of exploitation which is a consequence of extracting surplus value. This is reinforced by the internationalisation of production, through which free trade enhances the exploitation of labour in both developed and developing countries. In challenging this mainstream argument, this chapter uncovers the relations of production and the capital accumulation processes, which will provide this study with a basis for providing a more substantial analysis of free trade.

The second problematic assumption of mainstream approaches is that free trade is considered as a win-win situation to all parties engaged in it. This, as mentioned earlier, constitutes the founding principle of the mainstream theories. This leads to

prediction that an economic convergence will occur under free trade relations. But, the empirical situation is different. Neoclassical theorists reliant on abstract assumptions unsupported by evidence mask the global unevenness and asymmetrical interdependence between countries and classes in the Global South and the Global North. That is to say, they do not theorise the historical backwardness of countries in the Global South, and the uneven spatial and sectoral factors which are the consequences of free trade. In other words, they tend to mask intra-societal and intra-regional unevenness, which free trade (re)produces at different levels and various forms, and which is always reflected as the global exploitation of working class in both countries engaged in free trade. It will be argued in this chapter that, if this was the case, there would have been economic convergence between developed and developing countries. In contrast to mainstream theories, this study argues that this unevenness is not a result of the failures of states or market imperfections, but rather, is a direct consequence of the uneven expansion of capitalist relations of production.

The third dubious assumption made by mainstream theories is their understanding of the state. In positing a critical argument against mainstream theories, it should be noted that these theories overlook the dialectical relationships between the state and capital which might be considered as the primary agents in the relations of free trade. Rather, they consider the state as a neutral agent, or an institution acting in coordination with the private sector. In relation to this, they cannot provide the basis for an adequate treatment of the state which has a dialectical relationship with business associations. This will be discussed in Chapter III.

Framing these kinds of criticisms helps this research to obtain some distance from mainstream approaches that overlook the basic effects of free trade mentioned above. In summation, this section challenges the assumptions of mainstream theories put forward in defence of neoliberal free trade. In this section, I will initially summarise Marx and Engels' writings on free trade in order to indicate the significance of relations of production, which then enables me to address the arguments made by theorists of imperialism in order to grasp the necessity of the global expansion of capital in the context of free trade. Further to this, I will outline

and address how the U&CD approach explains free trade phenomenon. Finally, I will adapt the theory of competitive advantage in order to grasp the role of agency in the global free trade system.

2.4.1. A Critical Marxist Analysis of Free Trade

The central argument of a Marxist approach is that free trade generates enormous imbalances not only between countries but also within countries, regions, sectors and classes engaging in the relations of production. This then moves on the second argument which is the shift in the international capital accumulation process and the way capital is internationally realised and reproduced cannot be understood as just an exchange relation between national units. In other words, free trade cannot be considered merely as inter-state or international exchange relations. Following a Neo-Gramscian three-level analysis the focus of my analysis is on the social relations of production, the relations between the state and sections of capital and uneven and combined development on a world scale.

Since the capitalist system is not static, the complex interplay of free trade policies and the state has changed due to the internationalisation of capital and the state in the neoliberal era of so-called globalisation. In other words, as a consequence of the rise of movements of capital, labour and commodities through the process of the so-called globalisation, states are also brought into relations with other social forces in different ways. Within the process of internationalisation of capital, nearly every barrier to the transfer of commodities between and within countries has been demolished by capital in coordination with national states. In this regard, this study examines the role of agency in creating these unequal exchange relations, with particular reference to business associations and the state. This will provide me with a theoretical basis in order to make clear how and why business associations came to play a central role in free trade relations.

2.4.2. Social Relations of Production and Global Exploitation of Labour: Marx' and Engels's Insights on Free Trade

Emphasising the importance of social relations of production in the context of free trade, Marx and Engels approach free trade from the perspective of its role in the global exploitation of labour. They point out that free trade is a way of raising the

profit received by capitalists by increasing “the rate of surplus value and lowering the value of constant capital”: this is a form of capital which capitalists invest in the process of production, such as purchase of plant, machinery land and so on (Marx & Engels, 1894: 235). This increases the exploitation of labour because labour is being paid less than the value it produces. Moreover, free trade increases the value of variable capital at the same time, which refers to the capital used by the capitalist to purchase workers’ labour power. This relates to the outlays expanded by capitalists, such as wages and social security spending (paid by indirectly from profits). Hence the rise in the rate of profit increases the rate of surplus value extraction; thereby it results in an increase in the exploitation of labour (Marx & Engels, 1894: 237).

Having outlined the internal relations and conditions of free trade which forms a basis for the global exploitation of labour, Marx and Engels subsequently argue that free trade acts in a direction that leads to an expansion of the sphere of production and speeds up the process of capital accumulation. They argue that the emergence and rise of capitalism are dependent on foreign trade restrictions such as protective trade tariffs, and quotas in the early stages of capital accumulation. This, at the same time, results in the global exploitation of labour as a result of capitalists’ goal of reducing the value of variable capital. This, in turn, creates an ever-expanding world market, which results in colonial expansion so as to capture more markets and resources (Marx & Engels, 1894: 235). Colonialism also has a transformative impact on the social relations of production in both core and colonised countries. This global marketplace is the basis for the capitalist mode of production, which expands the sphere of social relations of production.

In this sense, abolishing the barriers to free trade helped capitalists to expand the scale of production beyond national confines by means of imperialism, thereby promoting the process of domestic capital accumulation. As the cost of production is lower in less advanced countries, namely in colonies, capitalists gain more benefits and exploit higher surplus value by investing in colonised countries. The cost of production is reduced because of the use of cheap labour, such as slaves and coolies (indentured migrant workers), in the process of production (Marx & Engels, 1894:

236). Therefore, capitalists in the Global South raise their profits by engaging in free trade.

2.4.3. Theories of Imperialism

A discussion of theories of imperialism is crucial in providing a solid account to grasp the global expansion of relations of production in the context of free trade. The term imperialism has meant, for Marxists, a new phase of capitalism based on centralisation of capital and greater integration between industrial and financial capitalism, which then leads to a new phase of finance capital, and a substantial increase in the export of capital (Kiely, 2012: 162). In particular, it means a rivalry between core capitalist countries expressed in a conflict for control over territory, which tends to result in inter-imperialist wars in order to maintain national capital accumulation in each imperialist core country (Kiely, 2010: 55). In order to give a solid account of the discussions over the concept of free trade, it is necessary for this thesis to highlight the relationship between capitalist expansion and free trade.

The commonality among the classical theorists of imperialism is that free trade has given a way to a new stage of capitalism, which can also be called imperialism. Central to the relationship between free trade and imperialism in the writings of Nikolai Bukharin and Vladimir Lenin were the claim that inter-imperialist competition will ultimately result in an inter-imperialist war (Kiely, 2010: 54-63). This war is inevitable as a means of overcoming the problems of capital accumulation and colonial expansion. Kautsky, from a different perspective, argues that there is a possibility that imperialist countries may engage in cooperation in the future (ultra-imperialism); hence war is only one possibility among others (Kiely, 2012: 163).

In his explanation of the features of imperialism, Lenin clearly explains that capital export is a very significant part of imperialism. He gives the example of 19th century England which has applied free trade policies overseas while protecting its national economy with high rates of tariffs (Lenin, 1999: 70). The main purpose of free trade policies, for Lenin, is to utilise surplus capital in order to increase the profits of capitalists by exporting capital to backward countries (ibid, 71). Capitalism, as Lenin argues, has become overripe in certain capitalist countries. The export of capital was necessary to overcome this problem. This was achieved by subjugating the backward

countries, where profits are usually high, local wages and the land rents are low, and raw materials are extremely cheap (ibid). In this regard, the central claim of Lenin is that a significant amount of British capital has been invested in its colonies (ibid, 72). In this connection, Lenin argues that finance capital has created an epoch for the colonial countries in which they obtained certain advantages in colonised countries. For instance, banks founded in colonised countries have played a major role in establishing links between colonial and colonised country. In support of his claim, he indicates that England had 50 colonial banks operating with 2279 branches; France, less than England, had 20 colonial banks with 136 branches: Holland and Germany had also banks in their colonies (ibid, 73). This is crucial to demonstrate that banks have played a significant role in providing a suitable environment for the operation of capital between countries.

From another perspective, Rosa Luxemburg claims that the general sine qua non of capitalist expansion is outward enlargement in the sense of bringing non-capitalist spaces into capitalist social relations of production to ensure an increase in the surplus value (Luxemburg, [1913] 2003: 338-39). The desire of capitalists in acquiring non-capitalist areas, for Luxemburg, leads to a form of imperialism which demands unrestricted accumulation (ibid, 166: 426). Luxemburg also argues that, in the era of free trade, the primary purpose of capitalists was to monopolise non-capitalist areas at home and abroad (ibid, 431). Luxemburg explains the necessity of free trade as a requirement for reproducing the capital accumulation and to realise surplus value by capturing non-capitalist spaces.

Ray Kiely critically engages with these theories of imperialism in the sense that the trade between core capitalist countries was more significant than the trade between core capitalist countries and their colonies (Kiely: 2010: 77). In support of his claim, he stresses that from 1880 to 1938 only 9% of the total exports of core capitalist countries went to their colonies (ibid). Moreover, Kiely is also critical of the argument that outward expansion is the sine qua non of the capital accumulation. Rather he tends to argue that capital has continued to accumulate in home countries as well as abroad (ibid, 81). However, Bieler and Morton suggest that outward expansion is a significant tool in order for capital to overcome over-accumulation crises, while

arguing that this cannot be considered as the only way to overcome such crises (Bieler & Morton, 2014: 37).

It should be noted that the post-1945 international order is very different from that of the first wave of free trade imperialism. In this period, theories of imperialism paid more attention to North-South relations rather than the relations between core capitalist countries. This is not only because of the shifting characteristics of capital accumulation, in other words, internationalisation of productive capital, but also the role of the new agencies, namely, new sovereign states in the colonies. This term coincided with a sharp commitment to open-door free trade policies by the US and the new sovereign states on the European continent (Kiely, 2010: 91-93). In line with this thinking, the GATT was established, which became known as the World Trade Organisation in 1995. In the context of the post-1945 period, the GATT was successful in promoting free trade policies while leaving some free spaces for states which maintained protectionist policies, such as Germany and Japan (Kiely, 2010:101). Overall, the expanded free trade regime after the 1994 Uruguay Round has had different impacts on different spaces as it integrated different locations of production into the global free trade mechanism at different times and in different ways. Chapter V, VI and VII explore these differential impacts in the Turkish case in detail.

2.4.4. Uneven and Combined Development Approach

To better account for the constitutive relationship between current free trade policies and the integration of different locations in the trade system, we need a theory that captures the differences between classes engaged in the social relations of production and a theory that does not overlook the global and regional unevenness between countries engaging in free trade. As free trade cannot only be understood by looking at the international level or market relations (structure), we need an approach which pays particular attention to the intra-regional and intra-sectoral unevenness of the process of production. In other words, it is essential to pay attention to the dialectical relationship between agency and structure, form and function, specific and general. This is to imply that there is a clear connection between structure and agency at the levels of social relations of production as well as in the world capitalist system (Bieler & Morton, 2001: 26). As imperialist expansion

is characterised by uneven development (Poulantzas [1974]1975: 42), the articulation of the capitalist mode of production in different social formations can be grasped through the lenses of the U&CD approach. This theoretical approach is expanded in the chapters on TUSIAD, MUSIAD and TUSKON.

In the early period of the 20th century, Leon Trotsky investigated the way in which Russia integrated into the global world economy. He argues that the Russian vector of uneven and combined development provided the momentum in the process of Russian development (Trotsky, [1930] 2000). The aim of Trotsky was to provide a comprehensive and connected explanation of human history, on the one hand, and of Russian development, on the other. The starting point for Trotsky was the “most general law” of human development, which is “unevenness” (ibid). For Trotsky, it is important to pay particular attention to the dialectical relations and interactions in the development of societies, and the differences and multiplicities between them, which create and reproduce the conditions of unevenness. By doing so, it is possible to capture the cultural and class relations not only between societies but also within societies. As a second universal characteristic of global development, Trotsky makes use of the concept of combined development (ibid). According to his analysis of global development, it is crucial to focus on the plurality of the existing sociological forms and internal relations of societies, which are also in a dialectical interaction with other societies (Ashman, 2012:62). The development of any given society is determined by its “interactive relations with other developmentally differentiated societies” (Anievas & Nisancioglu, 2015: 48).

Through the lenses of U&CD, Trotsky analyses the peculiarities of Russian development in the early 1900s. He argues that Russia stood between Asia and Europe not only historically but also culturally and socially (Trotsky, 1930: 2). This is one way in which Russia has been marked off from both European and Asian counterparts. As a response to the military threats and economic pressure from Western countries, Russia implemented an industrialisation policy for reasons of military necessity (ibid). This international backwardness of Russia was also associated with its internal backwardness, namely the formlessness of class relations and cultural backwardness. This historical and cultural backwardness, for Trotsky,

gave Russia a privileged position to skip some of the usual developmental stages. This means that, the development of backward nations, as seen in the Russian case, does not need to repeat the development of advanced countries. Instead they pass through a “combination of different stages in the historical process” (ibid: 3).

The lacuna that this approach attempts to fill is how societies change, how they interact and how the dialectical relationship is determined between them (Anievas & Nisancioglu: 2015:44). By doing so, this approach does not overlook the significance of internal dynamics embedded in any social formation. Moreover, U&CD arguments tends to contend that the international is “itself part and parcel of wider socio-historical development process” (ibid). This implies that countries are economically and socially integrated into the world market in different and unequal ways (Trotsky, 1926, PT I).

This study applies the U&CD approach in order to analyse the development of capitalism in Turkey and the ways in which neoliberal free trade relations are crystallised there. This approach requires this study to examine the historical uniqueness of the process of consolidation of free trade relations in Turkey, and to grasp the differences in development between the business associations in specific sectors, and within the country and the world as a whole. This also allows us to grasp the specific role of the state in integrating Turkey into global free trade relations and the responses of the state to the internationalisation of different fractions of capital. The specificity of capital accumulation and the process of global expansion of capital through unequal exchange relations need to be examined in order to grasp the whole through internal connections in each of its parts, thus theorising a dialectical relationship between structure and the agency.

The conditions and dynamics of capital accumulation have reinforced the division of the world into advanced and backward spheres of global capitalism under the rubric of uneven and combined development. The outward expansion of capitalism, as argued by Rosa Luxemburg, is a necessary step for the creation of unevenness in the global capitalist system. This has taken a new form in the context of the reduction in constant capital, as clearly explained by Marx and Engels, on which has led to the industrialisation of the countries at the core (Marx & Engels, 1894: 235). This has

given an unfair comparative advantage to the early capitalist countries over the latecomers, which characterised the expansion of capitalism through primitive accumulation (Bieler and Morton, 2014: 38).

Extending this theory further, Samir Amin explains how the conditions of U&CD and the relations of unequal exchange between uneven parts of the world have been constructed. Historically speaking, he outlines two different stages of the outward expansion of capitalism, in other words, how the early capitalist countries achieved to integrate the latecomers into the global capitalist economy. The starting point for Amin is that once the early capitalist countries have completed the process of primitive accumulation whose essential feature is unequal exchange, the essence of unequal exchange results from differences in the prices of production, and different rates of productivity² (Bieler & Morton, 2014:40). These differences, in turn, are the

² At this stage, I should mention why this study does not use dependency theory which deals with international free trade relations. Marxists dependency theory is developed by Andre Gunder Frank, Immanuel Wallerstein and others. It is premised on the idea that international free trade has led to the polarization of the global economy (Frank 1992; 191). What this polarisation has created is peripheral, less developed, poor, semi-peripheral countries positioned between the 'core' and those 'outside of the core' (Wallerstein 2000: 56). This exposes how capitalist development is largely based on the exploitation of surplus at the periphery from the capitalist countries by capitalist countries situated at the core (Frank 2002: 102). This approach tells us that although peripheral countries are politically independent they are economically dependent on advanced capitalist countries due to the unequal exchanges between 'core' and 'periphery' (Wallerstein 1990: 289). The unequal exchange is closely tied to, if not inseparable from, surplus transfer from low income countries to high income countries. This gives rise to the disproportionate growth patterns for countries situated at the periphery, a problem stemming from the unequal exchange of labour and income distribution between rich and poor countries (Weeks 2012: 99). Overall, this process has economically weakened countries at the periphery while strengthening countries occupying the core (Wallerstein 2000: 56). Dependency theory situates the extraction of surplus at the level of trade between countries engaging in trade. Weeks criticises dependency theory arguing that the problem however is that the dependency theory appears to overlook the importance of class and difference between classes which engage in processes of production (Weeks 2012: 118). He takes a further step and concludes that Marxist analysis therefore implies that unequal patterns of international trade lead to the subjugation of developed countries on the developing ones as well as on the working class in these countries (Weeks, 1981:118; Patnaik, 2005:71). This tells us that international free trade has a negative impact on classes as well as nations.

result of uneven development which has characterised the global development of capitalism. Accordingly, as the rate of surplus value is higher in the backward countries, international trade is based on the exchange of products produced at an unequal cost. Confirming Luxemburg, Amin argues that the process of outward expansion was necessary for capitalists in order to exploit new regions (Amin, 1976: 187). This was an attempt to overcome the negative consequences of the tendency of the rate of profit to fall. It was achieved through the export of capital to peripheral spaces where global capitalists enjoyed low wage costs and high rates of surplus value. As Smith additionally argues, the low wage advantage is not the only factor attracting transnational companies to peripheral spaces. As can be seen in the case of the Bangladeshi garment industry, transnational corporations are also attracted by the flexibility of workers, the absence or weaknesses of independent trade unions, and the low rates of taxes provided by the local governments (Smith, 2016, 24). Another factor related to what Marx has already argued, is reducing the cost of constant capital (Amin, 1986: 187-188). In short, through these unequal exchange relations, capitalists have managed to transfer surplus value between different locations of production. Amin also extends Luxemburg's argument regarding the necessity of outward expansion and argues that the integration of backward countries into the global capitalist system has been restructured in the post-1945 era. In the age of monopoly capitalism, transnational capital has been able to operate on a world scale, which has led to a change in the classical modes of accumulation through extending the organic composition of capital (Amin, 1976: 189). Amin argues that the production techniques in the late capitalist countries tend to be backward when compared to the early capitalist countries. Nonetheless, there has been a convergence in the productivity of some sectors in which the production and price structure have been transferred to the periphery (ibid, 217). The most characteristic feature of Amin's argument is that this shift has led to "sectoral unevenness in productivity". In Amin's words:

Such a big divergence for the organic composition of capital in the periphery is possible only if the capitalist mode of production has not taken hold off all the branches of production, as it has at the centre (Amin, 1976: 217).

Although Amin's analysis of 'sectoral unevenness in productivity' is useful to understand how free trade creates uneven development on a world scale, which then results in unequal exchange relations in the global capitalist system, there are some missing points in his arguments. First, as Weeks also argues, unevenness is not a direct consequence of the redistribution of surplus value among societies, rather, it is the direct consequence of the 'progressive development of the productive forces' (Weeks, 1981: 120). Week's view provides a more comprehensive understanding of the relationship between social relations of production and the global expansion of capitalism under free trade conditions. As capitalists have to realise commodities in money form in order to reproduce the relations of production, there has always been a conflict among capitals, in the economic sphere, cheapening the cost of production through technological change (ibid: 121). The history of capitalism demonstrates that rivalry between national units of capital in order to make more profit and increase technology is necessary to expand production on a world scale (Marx & Engels, 1894: PT III). Second, it is important to focus on specific mechanisms which produce and appropriate surplus value, rather than placing particular emphasis on the distribution of surplus value from one country to another. In relation to this inadequacy, Amin fails to notice that the flow of capital is not always directed from developed to backward countries. There is this evidence that, as Kiely argues, the transfer of capital between developed countries was more significant than towards underdeveloped ones (Kiely, 2010: 77).

These unequal exchange relations, which are the direct consequences of capital accumulation and reproduction of relations of production, have led to the revival of international capital in the age of monopoly capitalism. This brings us to the conclusion that uneven development is the consequence of free trade policies which are carried out 'behind the backs' of agencies (Kiely, 2010: 188). This is to say that uneven and combined development and the way in which free trade operates in a globalised capitalist system develops the advanced countries at the expense of the

rest. In line with this thinking, it becomes evident that agents (states, multinational/transnational companies, and international financial institutions) play a crucial role in creating a comparative advantage for countries in the Global North while hampering countries in the Global South (Kiely, 2010: 188).

The new regime of international capital accumulation played a crucial role in promoting neoliberal globalisation which represents the interests of international capital (Kiely, 2007: 17). In this era, the relationship between core capitalist countries and countries in backward conditions have been reconfigured under the hegemonic leadership of the US state, which led to the centrality and internationalisation of transnational corporate production (Hart-Landsberg, 2013: 14). In terms of the role of capital in this era, it is fair to say that transnational corporations have played a crucial role in generating imbalances, inequalities and instabilities (Hart-Landsberg, 2013: 13). According to the World Investment Report 2011:

Trans-national corporations' production worldwide, in their operations at home and abroad, generated value-added approximately \$16 trillion in 2010... foreign affiliates account for more than one-tenth of global GDP, and one-third of world exports.

Historically speaking, after the complementation of the GATT Uruguay Round in 1994, free trade policies have pushed neo-liberal restructuring across the world (Bieler, Hilary, Lindberg, 2014). The Uruguay Round brought about the most substantial reforms of free trade system since the establishment of the GATT. This is to emphasise that one of the main objectives of the Uruguay Round was to make the world trading system transparent, or in other words, liberalise the system. Hence, the expansion of capital after the completion of the Uruguay Round does not simply refer to the expansion of exports of goods, but also international copyright, services, and investment (Bieler & Morton, 2014: 42). Moreover, the Uruguay Round has weakened government's control over foreign trade policies, and opened up key sectors of national economies to uneven international competition. The WTO was established in 1995. The US, Japan and the leading core EU countries have succeeded in implementing free trade policies in the WTO. For instance, import and export goods including new areas such as intellectual property rights, finance and services

are meant to move freely from tariffs and non-tariff barriers, and local governments in the countries where they invest are not permitted to restrict their operations (Hart-Landsberg, 2013: 28). Furthermore, the voting system in the WTO creates and produces the conditions for U&CD in a certain way. The principle of one member, one vote forces states to sign up to all agreements, they cannot pick up and choose the agreements which they might consider beneficial (Kiely, 2010: 188).

In order to ensure the expansion of capital into new areas, contracting parties have also made agreements such as the one on Trade-Related Aspects of Intellectual Property Rights, which restricts the ability of states to use products patented in their countries of origin, while providing an adequate protection for companies; a General Agreement on Trade in Services, which forces states to open up their national service market to foreign investment; and an Agreement on Trade-Related Investment Measures, which limits the ability of states to restrict foreign direct investments, which were all included in the GATT Uruguay Agreement (Hart-Landsberg, 2013: 72). As discussed in the previous section, mainstream approaches argue that free trade is a win-win situation to all parties engaged in it. In the post-1994 period, this classical argument was rephrased “if the countries in the Global South open up to free trade they will automatically catch up with the countries in the Global North” (Bieler, 2012: 10). However, most of the countries in the Global South deindustrialised in the era of neoliberal free trade, and this increased their import dependence. As Chapter IV of this thesis demonstrates the import dependence of Turkish export industries is around 60% (Sönmez, 02 March 2013). This shows that the universalised unequal exchange relations create and deepen the unevenness between the various parties engaging in this process (Ashman 2010: 188), and leaves not only countries but also classes dominated and subjugated. Chapters V, VI and VII of this thesis demonstrate that uneven integration of Turkey into global free trade relations has created enormous imbalances between different fractions of capital within Turkey. In the global arena, free trade leads an economic convergence among countries in the Global North whereas countries in the Global South tend to diverge (Saad-Filho, 2015: 65). More importantly, this, as Marxist theory suggests, subjugates the labour class by extracting surplus labour (Weeks, 1981:120), and concurrently creates asymmetrical interdependence at the global scale (Trotsky, 1936: PT I). This

unevenness in global development, as well as unequal distribution of income, would lead an economic convergence among the early capitalist countries as late capitalist countries tend to diverge because of the uneven and combined dynamics of global capitalism which are reinforced by free trade relations (Saad-Filho, 2015:65). In other words, this ultimately brings into existence an ever-growing disparity between rich and poor countries (Chattopadhyay 2012: 77). This is simply a reflection of free trade policies, which reproduce unevenness and instability rather than convergence and equilibration (Albo, 1997: 10).

Samir Amin argues that catch up is an illusion, because free trade creates economic and social divergence between countries rather than convergence (Amin, 2014: 15). He also proposes that the collective imperialism of the triad (the US, the EU and Japan) employs every means of disposal - economic, military and financial - in order to convince the countries in the Global South that catch-up is possible under free trade regulations (Amin, 2014: 16). Amin tends to explain why the countries in the Global South cannot catch-up with the countries in the Global North. He argues that the European model developed during the last century with industrial technologies which were labour-intensive. However, modern technologies, and current means of production are not as labour-intensive as those used during the early stages of capitalist development. Therefore, if the newcomers among capitalist countries would like to catch up with the countries in the Global North, they will have to adopt new technologies (Amin, 2014: 17), leading to increased unemployment. During the new era of global free trade after the GATT Uruguay Round, Ireland, Spain, Greece, and Portugal were named as successful examples of developmental catch-up. However, in the late 2000s, all these countries faced significant debt crises (Bieler, 2012: 16). In short, there are only a few examples of catch-up while most of the countries suffer from trade deficits and high rates of unemployment which arise from the uneven expansion of free trade (Bieler, 2012: 16).

Anwar Shaikh provides a more stable account than Amin's of the impossibility of catch-up. Shaikh takes a further step by arguing that absolute advantages determine trade patterns –as opposed to the Ricardian understanding of comparative advantage- (Shaikh, 1980:41). This means that free trade exposes weak countries to

the competition of the strong countries (Shaikh, 2007: 8). The prices of some commodities are lower in countries in the Global North than those in the Global South. This, therefore, suggests that unequal patterns of production and wages among countries make capitalist countries in the Global North internationally more competitive (Kiely, 2010:53). As a result of an unequal exchange between countries, the balance of payment deficits in the countries in the Global South tends to be higher and more prevalent than in countries in the Global North.

Shaikh uses the theory of competitive advantage in his analysis of free trade. He firstly uses the concept of competition, in the sense of business competition (Shaikh, 2007: 9). The universal agencies of the free trade mechanism, firms and companies, adapt tactics and technological changes to gain and hold a market share through cost reductions and market cuts. He then supposes that this competition between firms and companies regulates the trade between as well as within nations. In this competitive system, as Shaikh argues, the firms operating in high-cost regions of any country will automatically suffer a decline in their share of the international market, which then leads to job losses and a decline in real wages (Shaikh, 2007:9). The reverse applies to the firms within the low-cost region of any country. When this is applied to free trade between nations, Shaikh tends to argue that countries with a competitive disadvantage in the global market would suffer from imbalances and trade deficits (Shaikh, 2007: 10).

Since most countries in the Global South produce and export primary commodities, while importing high-tech products, the gap between countries widens (Ashman, 2010:190). More importantly, on the one hand, the capitalist countries in the Global North continue to exercise enormous power over high-value sectors and high-skill-based technological production. The countries in the Global South, on the other hand, still provide lower wages and supply high surplus labour, yet struggle with high barriers to entry (Kiely 2012: 165).

These assumptions of Shaikh's suggest that technologically advanced firms automatically benefit from free trade. As mentioned earlier, if disadvantaged firms enter free trade relations without any preparation for this challenge, they will most likely become suppliers of cheap labour and resources (Shaikh, 2007: 10). Historical evidence on the development of free trade demonstrates that the early capitalist

countries implemented protectionist foreign trade policies in their early stages of development. Emphasising the specificities of the development of capitalism in these countries, it must be acknowledged that they have adopted free trade policies only once the capital accumulation process has completed within their national territories (Shaikh, 2007:7). Hence, this implementation of free trade policies must be understood as a way of overcoming barriers to capital expansion. Historical evidence from England, Germany, Japan or the USA demonstrates beyond doubt that the expansion of capitalism in the countries in the Global North - with some exceptions - has demanded the protection of national borders from external markets. As Engels ([1848] 2000: 4) has already pointed out in his introduction to the Marx' speech on the question of free trade:

Protection at home was needless to manufacturers who beat all their foreign rivals, and whose very existence was staked on the expansion of their exports. Protection at home was of advantage to none but the producers of articles of food and other raw materials, to the agricultural interest, which, under the existing circumstances in England, meant the receivers of rent, the landed aristocracy.

The above passage confirms that the one aspect of unevenness is created due to the implementation of free trade policies. The process of adaptation and integration of the rest of the world into these unequal exchange relations should be conceived as a historical necessity for capitalism in overcoming recurring crises of capital accumulation. This neither creates a convergence among countries, nor improves the conditions of workers in backward countries. Instead, it considerably widens the gap between the countries in the Global South and North, and results in subjugation of other classes by transnational classes.

International competition among business organisations has led a shift in the organisational structure of internationalised corporations. In other words, there has been a departure from the previous production strategies adapted by transnational corporations. For instance, the sphere of industrial production has spread mainly to Third World countries (Hart-Landsberg, 2013: 16-18). This process was associated with the division of production process into segments and the creation of cross-

border production networks, which resulted in a shift in the dynamics of global accumulation. Capital thus invested in Third World countries to “locate the labour-intensive production segments of these goods” in low-wage, low-cost localities in particular when manufacturing textiles, electronics and technologically advanced goods (ibid: 83). There was also an attempt to cheapen the cost of production. The importance of production in the Third World was highlighted by the fact that around 50 percent of foreign direct investment went to the Third World in 2010 (UNCTAD, 2011: 3). Furthermore, transnational corporations have cooperated closely with ‘partner’ manufacturers in order to produce parts and components of a final product through their control over the production process (Hart-Landsberg, 2013: 18). For instance, the required parts and components of an Apple product were produced in four different countries: Japan, South Korea, Germany, and the US (ibid, 21). These products, are then shipped to China in order to export to other countries.

In overview, when piecing together the different ideas Marxist theoreticians have articulated across time, most agree on the notion that the current system of neoliberal free trade is a way of opening up other countries to the global circulation of capital and integrating them into relations of unequal exchange (Bieler & Morton, 2014: 36). These unequal exchange relations, the characteristic feature of capitalist expansion have become the very essence of free trade from 19th century England onwards (Kiely, 2010: 48). This is to say that capitalists have always tended to expand outwardly to overcome capital accumulation problem inside national borders. As Marx had already demonstrated because capital is accumulated within a competitive environment, the very essence of competition heightens competition among capitalists, and leads to breakdowns and crises which are inherent to capitalism (Marx, 1990: 433). Capital expanded globally in an ultimately unsuccessful attempt order to find a way to overcome this inherent problem.

2.5. Conclusion

This chapter has demonstrated that Adam Smith drew particular attention to the freedom of individuals engaging in foreign trade, on the one hand, and is deeply concerned with the negative consequences of restrictions on individual economic

freedom, on the other. While Smith focuses on absolute advantages of countries engaged in foreign trade, Ricardo extends Smith's theory and suggests that each country ought to produce commodities in which it has a comparative advantage. This, as discussed earlier, ignores the consequences of comparative advantage on employment and development. The structure that Ricardo imagined does not exist anymore. This has not prevented neoclassical theorists from basically rehashing Smith's and Ricardo's views. However, J. S. Mill worried about inequalities in the market and argued that restrictions on free trade might be useful for new industries in emerging countries. Mill's thoughts on free trade are similar to what institutionalists argue with regard to infant industry protection. Institutional political economists, in turn, draw attention to the necessity for state intervention in the arena of foreign trade and suggest a need for extra-market coordination which is based on an interaction between the state, market, private sector actors and other institutions.

The chapter also argued that the commonality between classical and neoclassical political economy is the idea of individuals who are assumed to behave in egoistic and rationally self-interested ways. Neoclassical economics, similar to Smith and Ricardo, basically focuses on the idea that the market is a self-regulating system derived from an aggregation of self-interested individual actions. The individuals engaging in free trade are rational actors and, for the system to self-regulate, should be independent of restrictions, in particular, state interventions in the economic sphere or regulations against free trade. As indicated, neoclassicists tend to claim that individuals are equipped with the knowledge necessary to maximise their interests. Hence, any external intervention that restricts foreign trade is an obstacle to freedom of individuals. In this regard, neoclassicists advocate an outward-looking free trade strategy based on the doctrine of the free market, which is considered as the best way to maximise efficiency, productivity and wealth. Overall, mainstream theory argues that free trade is the best policy for countries. This overlooks the global unevenness not only between countries but also within them, masks the exploitation involved in the process of production and overlooks the unevenness between productive workers engaging in this process. In contrast, Marxist theory contends

that it is not comparative advantage that determines unequal exchange relations between unevenly developed parts of the world. Competitive advantage is more relevant in understanding these relations. From the U&CD perspective, there is unevenness between countries, regions and sectors as well as within the units of capital in one sector and among fractions and circuits of capital. U&CD theory is centred on how global free trade has led to the subjugation of some countries by others as well as some classes and class fractions by others. This means that countries are economically integrated into the world market in unequal and differentiated ways. The neoliberal agenda, which Kiely refers to as a new phase of neoliberal free trade imperialism, divides the world into peripheries and cores of global capitalism.

This chapter also argued that free trade is determined by competitive advantages, in contrast to comparative advantage theory. Because the prices of commodities in backward countries are lower than the prices in advanced countries, this makes advanced countries internationally more competitive. In this sense, the neoclassical assumption of “convergence” or “catch up” is far from accurate. This is crucial to explain why countries in the Global South continue to grapple with the challenges of development and long-term growth. In short, as global development is uneven and combined, free trade not only made the countries of the Global South increasingly dependent on the countries in the Global North but also intensified inequality among the classes engaging in the production process.

In terms of the role of business associations, cross-border production within the process of internationalisation of capital has been the primary objective of transnational companies. This evidently demonstrates that internationalised capital does not only penetrate into host countries as merely an abstract investment, but also transforms the social forms within the host country, and strengthens the leading imperialist power within each social formation. In this sense, the current system of free trade cannot be analysed in separation from the relations of production and circulation of capital in this structure. Business associations are in close relationship with the state in terms of reproducing the relations of international production. This reproduction has been realised through the signing of FTAs, which aimed to internationalise the relations of production, dividing production into segments and

locating the separate stages in two or more countries, thereby creating global production networks.

In summation, the analysis of the role of business associations in free trade cannot be pursued without reference to the uneven and combined patterns of international free trade which create unevenness in the global capitalist system. The engagement of business associations in the global value chain process still leads to the exploitation of resources in countries in the Global South as well as the classes engaging in relations of production in these countries. It is for this reason that the role of the state in these global relations of free trade must also be analysed, in order to unearth the significance of business associations, which will be discussed in the next chapter.

3. Chapter III: Theoretical Framework on the State

3.1. Introduction

The main objective of this chapter is to analyse the capitalist state, its social role, and the relationship between the state and capital operating under the rubric of capitalist relations of production. As the second sub-question of this thesis focuses on the

dialectical relationship between structure and agency in free trade relations, it is assumed that competition among capitalists, uneven and combined development of capitalist regions, and unequal exchange relations can only be grasped alongside a theorisation of the state. This will allow this study to uncover the motivation behind the structuring and construction of the Turkish state's regulatory role within free trade relations. This study unpacks the ways in which states manage the global expansion of capital, internalise the interests of international/transnational capital within a specific country and secure the conditions for the social relations of production. In this regard, this study presents an analytical and critical explanation of the definition of the state as well as its role in the production process.

In order to provide a theoretical basis for analysis of the state, this chapter investigates different approaches to the state in political economy approaches. Firstly, the chapter outlines and critically engages with the main approaches to the state from mainstream theories of political economy, namely, neoclassical/liberal and institutional. Secondly, it provides an analytical and critical perspective to the state from within a Marxist perspective. Following a neo-Gramscian approach, my theorization of the state mostly draws on the works of Poulantzas. This chapter uses the concepts of "relative autonomy" and "hegemony" in order to unpack the ways in which the state is established, formed, and shaped, and moreover, how the state operates within and outside its national borders. It then investigates the role of the state in the process of internationalisation of capital and explores how to conceptualise the relationship between the state and capital in free trade relations.

3.2. The Neoclassical and Liberal Approaches to the State

The neoclassical approach gets much of its inspiration in theorising the state from liberal political thinkers, such as Adam Smith, John Locke, Jean-Jacques Rousseau and others (Hutchinson & Petter, 1998:283). The role of the state, its shape, and its limitations may vary but the state's instrumental character is commonly posited by many liberal political scientists (Hutchinson & Petter, 1998). In the neoclassical approach, the state is an abstract entity, therefore neoclassical theorists place little emphasis on attempting to define the state (Oakeshott, 1975). Rather, this approach gives priority to individuals over the state because individuals are creators of the

state. Neoclassical and liberal approaches are supportive of the following principles: methodological individualism, positivism, private property rights, and economic individual liberty under the rule of law (Colander, 2000:134).

Methodological individualism views the individual as the only subject-matter of investigation, as well as the only entity with rational interests and private goals (Gray, 1998: 50). As methodological individualism denies ontological status to 'collectives, such as states or social groups' (Popper, 1962:91), there is a certain unwillingness among neoclassicists to provide an adequate explanation on the state. From a positivist point of view, the state is not viewed as a subject-matter that can be identified by empirical observation. The neoclassicist position involves an attempt to associate the empiricist epistemology with the ontological position that is known as atomism (Frisby, 1992:10). Contrary to the arguments made by Poulantzas with regard to the concept of social formation, neoclassicists focus on observable social realities which can be known only by focusing on the components rather than the whole. From this point of view, the focal point of the study of social phenomena is individuals rather than societies or states (Frisby, 1992:10). Individuals are therefore identified as atomistically constituted entities, which are rational, self-sufficient and autonomous. In order to analyse individuals' actions, neoclassical economics adopts a deductive method based on reasoning from premises in order to reach general conclusions about reality (Bresser-Pereira, 2009: 494).

3.2.1. The Role of the State and Free Trade

Closely related to the premises of methodological individualism, neoclassicists argue that the main legitimate roles of the state are to protect private property rights and individual economic liberty under the rule of law, which provide individuals with an opportunity to act freely in the market (Gray, 1998:73). Individual economic liberty refers here to the unrestricted actions of agents engaging in free trade relations. From this point of view, individuals ought to be free to use their resources and to maximise their utilities under the rule of law (Gray, 1998:59). Therefore, neoclassicists argue for the primacy of the market over the state and allege inefficiency of economic interventions such as restrictions on trade, high tariffs, regulatory commissions, and other forms of state intervention (Friedman 1962: 71-

74). For neoclassicists, restrictions on trade and other forms of state intervention inhibit the possibility for individuals to move their resources abroad in search of profit. Furthermore, it is argued that removing controls on foreign trade will accelerate economic growth, based on the proposition that market is the best means for allocation of resources (Lal, 1983: 107).

The neoclassical approach views the state as a necessary actor for economic growth, but it must be a minimal state whose role in the economic sphere is downgraded (North, 1981:20). In its minimal neoclassical form, the state is viewed as an exogenous *black box* whose domestic functioning is not a suitable subject for economic analysis (Srinivasan, 1985:41). This means that neoclassicists consider the state as an intrinsic entity external to the market. However, neoclassical economists tend to leave this *black box* closed because of the potential negative consequences of state intervention in the economic sphere. Extensive state intervention in the economic sphere may result in corruption or rent-seeking (Krueger, 1974:291). For instance, import licences issued by governments provide privileged access for some, with the consequence of decreasing competition among individuals. This automatically results in a decrease in national wealth because of the restrictions on individuals' desire to maximise their profits (Krueger, 1974:291). Therefore, neoclassicists suggest that the state's role ought to be reduced to a minimum so as to escape the negative consequences of state intervention on economic activities.

The state in its minimal form adopts the role of "night-watchman" whose purpose is to protect private property rights, enforce private contracts and remove barriers to foreign trade as much as possible (De Jasay, 1985:96). As property rights are crucial for economic freedom, the state ought to promote the economic freedom of its public under the rule of law (Hayek [1960] 1978: 234). With appropriate regulations and limitations in place, including constitutive laws, arbitrary behaviour on the part of states becomes preventable (Hayek [1960] 1978: 234). Milton Friedman argues that state intervention in the individual sphere limits and impinges upon the freedom of the individual (Friedman [1962] 2009: 32). This view is widely upheld through the notion of 'individual economic liberty', which Friedman believes the state has an obligation to protect. The neoclassical approach regarding the relationship between

the state and the economy, therefore, is that the greater the role the state plays within the economy, the larger the risk of economic diminution, which could, in turn, endanger economic liberty. The primary task of the state, therefore, is to ensure individual economic liberty under the rule of law and protect private economic activities (Friedman [1962] 2009: 32).

3.2.2. Critical Engagement with Neoclassical/Liberal Approaches

The first problematic assumption embedded in neoclassical/liberal approaches is that they consider the state as an abstract entity external to the market. They do not recognise that states can be entangled in production relations. This one-sidedness leads this approach to neglect the different and relational parts constituting the state, and resultant contradictions within the internal structure of the state. Thus, state intervention in the market is perceived as unfortunate. However, capitalist states have always come to rescue the market from collapse in times of economic crisis. In such conditions, it is evident that only massive, sustained and immediate state intervention can protect the system from collapse or contagion (Marois, 2012: 1). For instance, in the aftermath of the Volcker shock in 1979 which skyrocketed interest rates from around 3-4 percent to 17-18 percent, and again after the credit crunch in 2008-09, the US state has intervened in the economy in order to maintain the country's primacy in the global market. The US state has tightly regulated the Lehman Brothers and other investment banks, and the US Treasury bought \$700 billion of toxic securities (Kiely, 2010: 237; Dumenil & Levy, 2011: 235). Because of the uneven process of capital accumulation in the global scale, other states, in different ways, have also engaged in rescuing their economies from collapse. Especially in the transition to the ISI model to an export-oriented development one, many states intervened in the economy in order to encourage domestic consumers and companies to export more than they import and re-adjust their economies in accordance with Washington Consensus principles. The IMF required governments to intervene in the economy in the sense of overcoming the balance of payment deficits they faced in the 1970s (Kiely, 2010: 137). Therefore, states have played a crucial role in integrating their economies in the circuit of global capitalism in the era of transition to neoliberalism and have not acted simply as night-watchman states.

Another problematic assumption of neoclassical-liberal approaches is the idea that neoliberal globalisation has superseded nation-states. This then facilitates the claim that, as the production relations have become globalised, there is nothing for the national state to watch (Savran, 2008: 41). Despite this argument, neoliberal globalisation did not lead to a retreat of the nation-state (Marois & Pradella, 2015: 4). In the new phase of accumulation and production flowing out of neoliberal globalisation, states and firms still preserve their national characters, and capitalist states have always heavily and directly engaged in domestic and international activities in the market when this is necessary for neoliberal objectives in the sense of ensuring better market discipline (Dumenil & Levy, 2012: 242; Marois & Pradella, 2015:6). In practice, capitalist states appropriate and disburse part of the accumulated surplus value, or in other words the wealth of the workers, through taxation and expenditure, restructuring the activities of capitalists, regulating the ways in which capitalists operate, and manipulating exchange rates through macroeconomic policies (Fine & Saad-Filho, 2004: 172). In the Post-Washington Consensus (PWC) era, which is a new phase of the neoliberal capitalist development which emerged in the late 1990s in the wake of the East Asian economic crisis in 1997, the policy prescriptions of the neoclassicists and liberals are centred around the idea that more active and regulatory states and governments can efficiently solve the problems of the market (Rogers, 2010: 11). This means that the state's role in free trade relations has been reconceptualised 'as a supporting actor in expanding and delivering market opportunities' (Selwyn, 2014:9). This idea is examined in Chapter IV in response to my second sub-question which explores the role of the state in global free trade. In short, strict neoliberal governments were unable to manage the contradictions and fallacies in the market; economists therefore recognised a need for more regulatory and interventionist governments and supervisory institutions to enhance the private-sector driven growth (ibid.). This means, despite the neoclassical argument which suggests that states should not intervene in the economy, there is still a need for the state in order for free trade to expand new spaces (Kiely, 2007: 15). Also, the aim partially maintained by the national states when internalising the global agenda of free trade, especially after the 1994 Uruguay Round, has often involved managing the conflicting interests of different fractions of capital, which

arise out differential integration into the global relations of free trade. This provides evidence that withering-away of the nation-state due to globalisation is a sort of utopia as the state domestically and internationally enters a dialectical relationship with the capital which has already become internationally mobile (ibid.: 173). However, this active state operates in a manner designed to enhance rather than constrain free trade, in contrast to redistributive states.

3.3. The Institutional Approach to the State

The institutional approach draws much of its theoretical inspiration in theorising the state from the works of Karl Polanyi, Max Weber, Alexander Gerschenkron and Albert Hirschman (Evans, 1995:21). Polanyi emphasises that market efficiency depends upon state action and underscores regulated state intervention in the economic sphere as essential to the (trans)formation of the free market (Polanyi, 1944: 140). Weber investigates how types of domestic organization provide states with the capacity to facilitate markets and promote economic growth (Weber, 1968:1), stressing the importance of rational-bureaucratic forms of power. Hirschman (1958) and Gerschenkron (1962) pay particular attention to the relationship between the state and society, particularly links between the state and entrepreneurial elites, as well as internal structures of the state. They have extended Weber's vision of the state's capacity to produce policies in order to rectify the market. Hirschman and Gerschenkron do not negate the significance of a coherent and consistent bureaucratic structure (Evans, 1995:32; Gerschenkron, 1962). However, they suggest that instead of providing a suitable environment, the state ought to play an active role in organising the market, and in mobilising resources (Evans, 1992:147).

This approach, therefore, critically engages with neoclassical and liberal approaches. It argues that neoclassicists approach the state from an inappropriately individual-centred perspective (Skocpol, 1985:4), meaning that neoclassicists view the state as the root of the problems in the market (Evans, 1995:3). In contrast to neoclassicists, institutionalists maintain that an exclusive regulatory and supervisory role should be performed by the state. Based on these criticisms, the institutional approach tends to conceive of the state as an actor in the market, with its society-shaping institutional structures, and attempt to bring the state back into the analysis (Evans

et al, 1985: 347; Evans, 1995: 6). They, therefore, argue that the state lies at the core of the solution to the problems in the market and society (Evans, 1995:3). They stress that the state as an actor can implement rules necessary for sustaining its authority over its territory and the socio-economic sphere (Mann, 1984: 185). In this regard, the neoclassical view, which has limited the role of the state in socio-economic activities, is challenged by Weberian theorists who emphasise that the state is a key driver of the success of the market.

3.3.1. State Autonomy and Extra-Market Coordination

Institutionalists argue that states ought to be autonomous, and state managers should control the state organizations and means of coercion. This control will enable the pursuit of goals and moderate economic relations for the overall common good (Skocpol, 1985: 9). This autonomy allows state managers and organizational apparatuses to bind the state and capital together (Evans, 1992:165). These groups can organise and constitute the relations between the state and society and between the state and economy to ensure the existence of a political order as well as to reshape a society. If an autonomous state can manage or tame the actions of dominant classes, it is able to advance or progress the common good over the narrow interests of the dominant classes (Evans et al, 1985:365). The autonomous organisational state apparatuses, bureaucrats and state elites might thereby use state power to implement socio-economic reforms for economic development (Stephan, 1978: Ch. 3). In this regard, institutionalism suggests that state intervention in the market is useful for capitalist operations and practices, meaning that an extra-market role for the state is desirable (Chang, 2002:552; Chang, 2000: 12; Ritchie 2008: 443). Consequently, institutionalists critique the neoclassical premise of the primacy of market (Hollingsworth & Boyer, 1997). As Evans argues, state intervention in the market is a given, therefore the central question is not “how much” but “what kind” (Evans, 1995:10). In terms of the act itself, intervention is not enough; rather, it is the nature of the intervention and the results it can yield that are important (Whalen 1996: 93). State intervention becomes a prerequisite not only for minimising inequalities in the market but also for expedient economic development (Simon, 1991:25). According to institutionalists, capitalist enterprise is crucially dependent on

a suitable environment that the modern bureaucratic state provides. However, this approach also insists that as long as the state lays down the rules which allow private sector investors to act in the market, the private investors will be able to do the rest.

The intention of institutionalists is to support extra-market coordination in order to rectify the failures in the market. In this model, the state's strategic capacity is improved in terms of its role in coordinating 'long-term stable cross-sharing arrangements' and acting collectively in favour of companies (Soskice, 1999: 110-11). Coordination might occur in different forms, for instance between government and firms, between state organisational apparatuses and private sector actors, or through direct intervention in the state's bureaucratic channels (Ritchie, 2008: 436; Hall & Soskice, 2001:8). The entire focus of this coordination relies on the premise that a strong state with a distinct policy direction, in cooperation with private sector actors, is able to produce effective policies in a global political economy (Ritchie, 2008: 437). Coordination of this kind can increase the institutional capacity of the country at large. This perspective suggests that the coordination between state, market and other institutions enables market actors to better regulate their use of resources and upgrade the national economy.

3.3.2. Critical Engagement with the Institutional Approach

Despite its criticisms of methodological individualism and the neoclassical treatment of the state as an abstract entity, there are still unconvincing assumptions embedded in this approach. First, institutionalists' methodological and epistemological approaches to the state lead them to define the state as an institutional and constitutional agency. This is nothing more than another abstraction, rather than, as institutional theory suggests, an attempt to analyse the state using empirical methods (Yalman, 2014: 16). Framing this methodological position does not help them to distance themselves from neoclassicists who treat the state as a *black box*. This is also associated with the perception of the state as an independent variable. Institutionalists reduce their analysis into an analogy with neoclassical approach which also ignores the class characteristic of the state (Yalman, 2009: 50-51), implying that the state acts as a neutral actor on behalf of society, with neither its own

interests apart from society nor entanglements with the interests of capitalist fractions.

Secondly, although institutionalists are critical of the neoclassical forms of minimalist and night-watchman state, they also make problematic assumptions with regards to state-capital relations. The inadequacies of this approach arise out of its treatment of the relationship between the state and capital as external. Accordingly, it fails to notice the internal relations within the state between different fractions of capital, and between the state and capital. By implication, the focus is always how to best redress the policy errors of neoliberal globalisation, and how a 'return of the state' can tame the actions of national capitalists (Marois & Pradella, 2015: 8). Focusing mostly on the extra-market coordinating role of the state in preserving national comparative advantage in the international market, institutionalists set aside the question of the intra-national polarization of classes which arises from the internalisation of international/transnational capitalist interests inside national borders (*ibid.*). Thirdly and more precisely, the institutional approach is not willing to analyse the class characteristics of the state and its multiple actions in mediating and coordinating the interests of fractions of capital at the expense of dominated classes when engaging with the social relations of production (Yalman, 2012: 52). In this regard, the developmental state in East Asian countries and social-democratic alternatives in the capitalist countries in the Global North have provided capital in these countries with increased opportunities through state subsidies and high rates of protection from cheap imports so as to help national companies to compete in free trade relations (Kiely, 1998: 12). Foreign investments in these countries have been controlled and organised by nation-states in the sense of taming and organising the actions of international capital. However, institutionalists fail to notice the fact that the internationally operating firms' interests have been internalised within the domestic structures of the economy and within the state structures themselves. These states act mainly on behalf of transnational or national capital, not as independent neutral actors. Nor can this approach deal with the new challenges emerging via the intervention of the state in the economy which has caused partial and imperfect challenges for the actors engaged in relations of free trade. For

instance, institutionalists overlook the fact that the cheap labour force in peripheral countries gave international capital an advantage in free trade relations which has facilitated coordination between nation states and capital (ibid., 1998: 35).

Overall, while institutionalists provide a powerful critique of neoclassical and liberal understandings of the state and its role in global free trade relations, they ignore capitalism's tendency towards uneven and combined development in the global economy and the reality that neoliberalism is also a form of expansion of capital in coordination with states. As a result, they oversee the fact that states "produce exploitative labour regimes where workers are regarded as fuel for the accumulation of capital" (Selwyn, 2014:52). Institutionalism thus neglects and masks the desire of capital within and outside the state structure, in both developed and developing countries, in accessing global circuits of capital at the expense of the classes involved in the relations of production. This lack of concern in the institutional approach has led to a theoretical affinity between the neoclassical and the institutional approaches to the state and its performance in the global capitalist relations. This has become more apparent in the PWC era, which has led to a neoliberal synthesis that can be found in countries in the Global South and the North (Oğuz, 2008: 26). It thus remains crucial to formulate an alternative approach to mainstream theories from within a historical materialist framework in order to grasp the complex and intrinsic relations between the state and capital.

3.4. A Marxist Approach to the State

My Marxist analysis of the state fundamentally differs from the mainstream in its ontological and epistemological commitment to examine and explore the underlying political, social and economic forces constituting and forming the state. As outlined in the previous sections, mainstream theories' treatment of the state and the relationship between the state and capital draw strict and exclusive lines between concepts and categories. Mainstream theories, indeed, do not enquire into the study of the state from within a theoretical framework in which the social relations of production are the basic unit of analysis. In contrast, the Marxist approach suggests that it is not possible to address the concept of the state without focusing on philosophical, historical and social realities (Yalman, 2014:79). According to Bertell

Ollman, the specificity of Marxism lies in its analysis “in [which] it is all its relations with other parts up to and including everything that comes into the whole” (1993: 35). Rather than approaching the categories as the state versus the market or the state versus society, as mainstream theories do, Marxism is more “a logical construct that refers to the way the whole is present through internal relations in each of its parts” (Ollman, 1993:37). Accordingly, relations of production, class, power and ideology are examined in a dialectical relationship, which constitute the spheres in which the state can be examined. This is different from liberal and institutional approaches as liberal approaches do not focus on ontological status of collectives such as states, and they treat the state as an abstract entity. Institutional approaches fall into an analogy with neoclassical approach which also ignores the class characteristic of the state. It, therefore, examines the relationship among the constituent parts of the state as external. Contrary to these approaches, the philosophy of internal relations means the state is considered as a social relation in which the relations between means of production, ideology and power as well as between dominant and dominated classes are all relations which are internal to each other. In other words, the state is a form of social relations through which class and power relations are expressed. That is why neither states, nor markets, nor classes can be taken as independent, singular units and determinant factors in themselves, but only as part of a relational system. Therefore, states cannot be discursively constructed or examined as entities separate from the other parts constituting the social relations of production but should be viewed as internally related, rather than treating each as a ‘variable independent of one another’ (Bieler & Morton, 2008: 116). This methodological and epistemological approach is called ‘the philosophy of internal relations’ (Ollman & Badeen, 2015: 3; Ollman, 2015: 10). Positing the axioms of this philosophy will help this study to theorise the state with its relational and different clashing parts and to frame the relationship between the state and capital as an internal one rather than an external one. As the nature of the state cannot be separated from intra-class and inter-class struggles within and outside the power bloc, an analysis of the state requires focusing on the dialectical relationship between dominant and dominated classes as well as within the dominant classes. This then requires an analysis to place a special emphasis on how the relationship between

dominant and dominated classes is constituted, formed, and reproduced within the internal structures of the state in order to grasp the dialectical relationship between different fractions of classes forming and shaping the state.

3.4.1. Instrumentalist Marxist Approach to the State

In an attempt to overcome the lack of focus in the existing literature on the internal relations between different parts constituting the state, this chapter first critically engages with the instrumentalist understanding of the state. Many leading Marxist theorists contributed to the study of the state in the 1960s and 1970s. The debate was framed around the polarised positions of instrumentalism and structuralism, which were initially developed in the Ralph Miliband-Nicos Poulantzas quarrel (Jessop, 2008:151). The major issue within this debate was the question of whether the state operates autonomously from relations of production and related social and economic apparatuses (Yalman, 2014: 80). This includes the question of how class struggle is constituted and mediated through state apparatuses.

Miliband defines the state as “a nebulous entity” (Miliband, 1969: 48). This means the state is indefinite and unclear and suggests that a cluster of state institutions constitute its reality together (Miliband, 1969: 48-50). These institutions are the governmental apparatus, which composes of elected decision-making authorities at domestic level; the administrative apparatus, which consists of governmental officials; financial apparatuses like the central bank; the coercive apparatus consisting of the army, police forces, and intelligence service; the juridical apparatus, composed of courts, prisons and justice system; and the sub-central government units such as provinces, states and municipalities (Miliband, 1969: 49-53). For Miliband, these particular institutions form the state; they interact as essential elements in the state system and are at the same time intrinsic to this system.

Although Miliband foundationally analyses the internal relations between the different parts constituting and forming the state, the more contestable belief expressed by Miliband is that the state has been captured by a ruling class of capitalists; in other words, he views the state as an instrument or tool in the hands of capitalists (Miliband, 1969:23). The ultimate aim of the state is to guard and protect the economic interests of this ruling class which controls and possesses the

means of production. Therefore, this class is able to use the state as an instrument in order to dominate society as a whole (Miliband, 1970:53-60). Such domination means that capitalist classes own and manage significant areas of the economic sphere; equally, they retain their domination and influence over the political decision-making process in the capitalist system (ibid.. 48).

3.4.2. A Relational Approach to the State

The debate between Poulantzas and Miliband opened a way for Poulantzas to engage in a more empirical analysis of the state. The main argument made by Poulantzas during this debate was that the structure and organisation of Miliband's theory of the state is a mistaken analysis of the role of the bourgeoisie and its relationship within the state structures. Poulantzas argues against Miliband's instrumentalist state theory and draws attention to the fact that the state cannot be considered as an instrument in the hands of bourgeoisie, or as a subject, rather the state is the condensation of different class struggles which are directly involved in constituting and reproducing the social relations of production (Jessop, 2008:33). Poulantzas argues that the relationship between class forces within the power bloc is not static, and the state, in turn, is not a neutral agent between these classes. Instead, it is a "material condensation" of the relations between classes and class forces (Poulantzas [1978] 2000: 73). The term "power bloc" is used to refer to an arena which designates an alliance among dominant classes and fractions (Poulantzas [1974] 1975: 24). This is to say that social classes and class struggle are not exclusively constructed prior to the state, and to the production process which is related to the ideological, political, economic and social practices of the state (Poulantzas [1978] 2000: 37; Bieler & Morton, 2006:169). Poulantzas, therefore, stresses that the state is a social relation and one of the actual sites of political class struggle which reproduce the social relations of production (Poulantzas, [1978] 2000:25; Jessop, 1985: 336-37).

In the same manner, Poulantzas is against the idea that the state acts as a rational and unitary actor, as institutionalists believe. Rather, he stresses that "the power of the state is the power of the class forces that act in and through the state" (Poulantzas, [1978] 2000: 257). The state is neither a monolithic bloc nor simply a sovereign subject' (Poulantzas, [1978] 2000: 138). In short, the state is thoroughly

grounded in historical capitalist relations of production, and simultaneous to this, it is the crystallisation of these historical and social relations into the bourgeois owners of production and the workers (Jessop, 2008:33). Poulantzas establishes a theory of the state which binds an internal and an external analysis of the state together and thus theorising different 'complex degrees of proximity of legal norms to class exploitation' (Martin, 2008:5) which vary between contexts.

At this point, this study uses the concept of *relative autonomy* in order to mark itself off both from economic determinism and from an instrumentalist understanding of the state. Further, it uses Gramsci's strategic theoretical concept, *hegemony*, which reappeared in a different form in Poulantzas, in order to characterise the relationship between the state and capital which influences the structure of the capitalist state and to reveal how the state enjoys its relative autonomy.

3.4.2.1. *Relative Autonomy of the State vis-à-vis the Classes*

The most significant reconstruction of Poulantzas is the separation of the political sphere from the economic, which constitutes the *relative autonomy* of the state in terms of establishing the unity of dominant classes as well as constituting the relationship between dominant and dominated classes. As the following empirical chapters examine in detail, the state is not exclusively constructed through capitalist social relations of production. Relative autonomy means that the state plays an intertwined economic role in relations of production and in the class struggle, yet simultaneously to this, it maintains a distinct socio-political role in the process of (re)production of the world market and capitalist social relations (Marois, 2012:27). As Poulantzas argues, there is today an enhanced role for the state in the public sector, taxation, and state credits, which are the ways in which the redistribution of surplus value is determined, and allocation of money is realised (Jessop, 1985: 350). The relative autonomy of the state along with class unity of the state apparatuses in the capitalist mode of production necessitates a rigid separation of the conflicting fields of the class struggle. This separation poses a great challenge for class unity for both dominated popular masses and fractions of dominant classes (Poulantzas, [1968] 1978:91-92; Poulantzas, [1978]2000:127). As the dominant classes are not able to act as a uniform and single entity due to their contradictory and conflicting

interests, the crucial role performed by the state apparatuses are, therefore, managing class contradictions and securing the cohesion of dominant classes, while disorganising the dominated classes (Poulantzas, [1968]1978:54; Jessop, 1982:186). In the same vein, capital also cannot be expressed as a singular, homogeneous or total entity within the state. It is safe to say that state policies might favour some fractions of capital – commercial, money, and productive - while undermining other fractions. This approach gives the state a distinctive and unifying role which is not only maintained or controlled beneath the state's bureaucratic apparatuses (government, military, judiciary etc.), but also, through the power of the dominant ideology that operates through universities, mass media, family and so on (Poulantzas [1978]2000: 127).

In order to maintain the unity of the state, there must be a relatively autonomised juridical-political superstructure partially separated from the economic sphere, and from the fractions within the power bloc (Poulantzas: [1968]1978: 255-56). Juridico-political institutions, for Poulantzas, have a significant role in conceptualising the definitive characteristics of states' unifying function, and thus their relative autonomy within each national power bloc. These juridico-political institutions constitute the preconditions for the relative autonomy of the state, with implications for the class relations and class struggle within the political field (Jessop, 1985: 75). The institutions of state power, for Poulantzas, "present a specific internal cohesion: this cohesion can be perceived in its effects" (Poulantzas, [1968]1978: 255). Thus, the state secures the general interest within the power bloc against specific and particular interests of fractions. In this role, the state can overrule the dominant fractions and classes if they attempt to promote their specific interests. Maintaining this unifying role through its relative autonomy, the state prevents "parcellization, division or sharing of the institutionalised power of the state" (ibid.). The significance of relative autonomy indicates that the state can consolidate the power bloc, promotes its political interests, and maintain its hegemony through the organisational matrix of the state structure (Jessop, 1985: 68). This tends to imply that the state also plays a crucial role in constituting and (re)producing the social relations of production. As Poulantzas stresses the state is "the factor which

concentrates, condenses, materializes, and incarnates politico-ideological relations in a form specific to the given mode of production” (Poulantzas, [1978]2000: 27). Accordingly, the state does not only engage in relationships within the power bloc but also between the dominant and dominated classes (Bieler & Morton, 2013: 41). In short, the state is not exclusively constructed by the capitalist social relations of production, and is an arena of consolidation of the class struggle. Chapter IV of this thesis applies this approach with reference to the Turkish state and its relationship with the class fractions.

3.4.2.2. Hegemony and Relationship of Class Forces

Poulantzas’ initial analysis of the concept of hegemony was an Althusserian-inspired structuralist reading. In his subsequent writings, Poulantzas explored the importance of the Gramscian concept of hegemony, which helped him to analyse the class struggle within and outside the structures of the state, and within both economic and political regions. In simple terms, Poulantzas’ analysis of hegemony considers the different capacities of a specific class fraction to organise and design the political and economic spheres by bringing together the dominated and dominant classes (Martin, 2008:8; Poulantzas [1978]2000:140). Hegemony is understood by Poulantzas in a sense that means that it cannot be examined as just an ideological phenomenon, but, more precisely, as a political practice which unifies various class fractions (Poulantzas, 1967: 68).

Hegemony is not taken as granted but unstable. It is the distinctive organising principle of the capitalist state (Jessop, 1985: 54). Gramsci argues that the struggle over hegemony is not only a struggle to control the coercive state apparatuses or material forces (Gramsci, 1971:59). Accordingly, hegemony is not reducible to the political relations between dominant and dominated classes; rather, it can also be applied to the relations within the dominant classes. This means that different forms of political crisis might affect or even characterise the bourgeois state system (Poulantzas [1978] 2000: 169). As the dominant class is divided into fractions, it is not able to act as a uniform and single entity due to its contradictory and conflicting interests (Poulantzas, [1968]1978:54). Therefore, the dominant classes must be unified under the hegemony of one fraction of a given class or one fraction within the power bloc which can secure and advance the interest of all fractions (Poulantzas

[1978] 2000:91). In this regard, Poulantzas stresses that a unified and a relatively autonomous state can play the unifying role within a power bloc.

The crucial roles performed by the state apparatuses are, therefore, managing class contradictions and securing the cohesion of dominant classes through establishing hegemony, while disorganising the dominated classes through mobilising their active consent³ (Gramsci, 1971:244; Jessop, 1982:186; Jessop, 1985: 57). It must be added to clarify that the state does not only manage the contradictions within the power bloc or between the fractions of capital but also, and more precisely, it mediates the conflicting interests between capital and labour (Fine & Saad-Filho, 2004: 171). This means the state has to prevent any fraction of dominant or dominated classes which might threaten to end the security and cohesion of the power bloc from doing so.

In contrast to instrumentalist understandings of the state, which ignore the internal power conflicts and class relations between the state and capital and between capital and labour, Poulantzas argues that the state has a class characteristic, and reflects all the contradictions and conflicts in a class-divided society. He then argues that the state performs its managing role within the power bloc, which enhances and maintains political functions for (re)producing the necessary conditions for the survival of the dominant mode of production (Poulantzas [1978] 2000:140:171). Therefore, the state is also analysed in terms of its global function of securing the interests of the dominant classes by mediating conflicts through hegemonic leadership in which a dominant class fraction expresses its interest as the general interest (Martin, 2008: 8). This function of the state is analysed in Chapter V in explaining the relationship between the state and TUSIAD, and how the state responded the manoeuvres of different companies within TUSIAD, such as DOGAN Holding.

³This usage of hegemony was initially developed by Gramsci. He stresses that: "*If political science means science of the state and the state is the entire complex of practical and theoretical activities with which the ruling class not only justifies and maintains its dominance, but manages to win the active consent of those over whom it rules...*" (Gramsci, 1971: 244). Hence the class forces within the state structures are in struggle to achieve hegemony (Bieler & Morton, 2013: 38).

3.4.3. Internationalisation of Capital and the State's Functions

3.4.3.1. Theories of Imperialism, Spaces of Capital and the State

Regarding the relationship between the concept of the space of capital and the space of the state, classical theories of imperialism provide an overview of the transformation of the role of the state in the process of internationalisation of capital. Rosa Luxemburg, for instance, approaches the state regarding its role in the early expansion of capitalism, including colonisation and primitive accumulation (Luxemburg, [1913]2003: 345:400). According to Luxemburg, the state facilitated the development of imperialism in coordination with the bourgeoisie. But the weakness of her analysis is that she never pointed out the internal dynamics between competing states and competing capitals (Brewer, 1990: 71). This problematic approach to the state is also common in Bukharin. Because he places much more emphasis on finance capital as a total representative of capital, he tends to consider the state as an instrument in the hands of the bourgeoisie (Bukharin, 1972:124). The most important aspect of Bukharin's analysis of the state is his emphasis on the nationality of states, although he overlooks inner contradictions within the state (Brewer, 1990: 113).

Later still, Mandel argues that the purpose of the state is to protect the interests of the big bourgeoisie and claims that only a supranational European state could guarantee the interest of the largest fractions of capital (Mandel, 1970, 97). His instrumentalist understanding of the state leads him to underestimate the contradictions between capitals which have emerged as a result of the internationalisation of capital and reduce these to a rivalry between regional states and regional capitals (Oğuz, 2008: 36). In a similar way to Mandel, Rowthorn also states that relatively autonomous states no longer perform the necessary organising role posited by Poulantzas, or else perform it so badly that serious conflicts break out between class fractions and the unity of the system is threatened (Rowthorn, 1971: 32). However, these statements are problematic in that they fail to account for the uneven and combined character of global development, such as the specificity of the nature of US imperialism and its relationship with other states (Kiely, 2010: 140). These explanations of the role of the state in the process of internationalisation of

capital disregard the internal contradictions and antagonisms between different capitalist fractions and between the state and capital in the international accumulation process itself (Poulantzas [1974]1975:39).

3.4.3.2. Internationalisation of Capital and the Space of the State

The integration of American capital into an international process of accumulation in Europe and other countries in the post-war era, or in other words the internationalisation of trade and Foreign Direct Investments (FDI), constituted new dynamics in terms of the role of the state in the economic sphere and contributed to the restoration of global financial markets under the hegemonic leadership of the USA (Panitch & Gindin, 2004:18). This hegemony was not challenged by the revival of European and Japanese capital, despite the tensions and contradictions between the USA, Europe, and Japan. Rather, in Poulantzas' words, "the question for them is to reorganize a hegemony that they still accept...; what the battle is actually over is the share of the cake" (Poulantzas, [1974] 1975:87). In this period, the internationalisation of capital and global integration was achieved through FDI and cross-border networks established by American corporations (ibid.: 19). In short, the internal structure of the state and class in core capitalist countries have been influenced by American FDI. Capitalist classes in different countries, as Poulantzas also argues, have interacted with the international capital flowing into their country of origin to maintain and reproduce their social formations in the US-led global order (Panitch & Gindin, 2004:20).

The role of the state in the era of the internationalisation of capital has been reconfigured regarding both formations of social relations and imperialist production chains, which are fundamentally characterised by uneven development (Poulantzas, [1974] 1975: 39). This uneven and combined characteristic of capitalist development in the monopoly capital (imperialist) stage refers to the specificity of each social formation, and the role of the state in this process. As Poulantzas ([1974] 1975: 42-43) clearly states:

This specificity is a function of the forms that the dominance of the capitalist mode of production at the international level assumes over the other modes and forms of production that exist within a social formation.

It is in this context that the internationalisation of the state's functions become important. Nation states have played primary roles in establishing and reproducing "the social relations and institutions of class, property, currency, contract and markets" as well as mediating the international process of capital accumulation (Panitch & Gindin, 2004: 17). As Poulantzas argues, the era of internationalisation of capital neither surpasses nor bypasses national states (Poulantzas [1974] 1975: 73). Most present nation-states do not have a high capacity to control the internationalisation of capital accumulation. However, they enjoy their capabilities to influence capital accumulation within national borders (Bryan, [1987]2007:254). The important class relations for the reproduction of this type of production and accumulation are created and secured 'within the space of the nation and using the nation-state' (ibid.). This new relationship between capitalism and states was understood as the internationalisation of the state, since each national state became responsible for "managing its domestic capitalist order in a way that contributes to managing the international capitalist order" (Poulantzas [1974] 1975: 73). This phenomenon referred to the internationalisation of capital which was internalised within each state in different forms at different times (Bieler & Morton, 2006: 170). The intervention of the state in the economy, in turn, operates in favour of dominant fractions of capital and against other fractions (Poulantzas [1974] 1975: 71). For instance, national or international capital is always given support by national states, such as public subsidies, tax reductions and so on. This is a way of locking-in and smoothing the process of internationalisation, concentration and expansion of capital. As the internationalisation of capital not only increases global integration, but affects domestic social formations, this also has also led to significant changes in domestic class structures (Kiely, 2010: 141). As a result of the deepening of markets and increased competition in the era of neoliberalism, the internal fabric of states and the crucial role that states should perform have been reconstructed and shifted at the expense of the productive forces. This US-led global project of encouraging the free flow of capital across the world demanded the establishment of new formal and informal mechanisms in different forms in different regions and countries (Panitch & Gindin, 2004: 22; 2012: 224). The development of such mechanisms within the internal structures of individual nation states is formed by the states themselves.

3.4.3.3. “Transnationalisation of Capital” and Internal Functions of the State

Anchored within the broader debate relating to the role of the state in global free trade relations in the era of neoliberal globalisation, the concepts of the space of the state and the space of capital have become a contested issue. The debate revolved around whether the state still fulfils its internal functions or whether, in contrast, the transnationalisation of capital has superseded the space of nation-states. Indeed, transnationalisation of capital has different impacts on different types of states, such as governance states, export-oriented developmental states, metropolitan capitalist states, or rentier oil states, but states still operate as localised power containers that mediate the contradictions between the fractions of capital within a particular territory (Jessop, 2010: 40). In this regard, it remains crucial to recognise the continued importance of the state’s national space regarding its role in internalising transnational/international⁴ capital’s interests within the domestic structures of state institutions⁵. Before the role of the state is discussed, “transnationalisation of capital and state” is outlined.

“The globalisation of the production process” is viewed as *transnationalisation of production* (Robinson & Harris, 2000: 11).⁶ This means that the shift or transformation of the organisation of production in the late 1970s divided the

⁴Leo Panitch and Sam Gindin argue that the internationalisation of American capital “did not spawn a “transnational capitalist class,” loosened from any state moorings or about to spawn a supranational global state; “national capital,” in the shape of firms with dense historic linkages and distinct characteristics, did not disappear, as international capital still “saw the American state as the ultimate guarantor of capitalist interests globally” (Panitch & Gindin, 2012: 11:345).

⁵It is also crucial to highlight the fact that transnational capital’s interests are internalised in different forms in different countries, in ways which are characterised by uneven development. Further, geopolitical rivalries between states need to be taken into account in order to underline the fact that class struggle does not only exist at the state level but also at the international level (Bieler & Morton, 2013: 44).

⁶For further information, see Bieler, 2000: 20-22; 2006:49-54; Robinson & Harris 2000; Sklair, 2001; Gill, 1993: 21-49; Robinson, 2004: 39-40; Cox, 2008. From a different perspective, Byran ([1987]2007) argues that “First, capital does not move in the form of production. Production can be relocated by changing the site of the productive process, but what moves physically in this process is money (loans and investments) and commodities (the factory), not production as a social activity. Marx clearly identified production as a break in the circulation process, not as a form in which capital circulates (Marx, [1885]1978: 118). Second, the internationalisation of capital should not be reduced to the spread of transnational corporations (including transnational banks). This is only an institutional appearance, not the essence of a relocation of production and the mobility of money and commodities internationally.” (259). With this in mind, the differentiation between fractions of capital (national-international-transnational) should be made according to the stages in the process of their capital accumulation at which each fraction of capital is integrated into the production-realisation-valorisation processes.

process of production into segments, and created transnational networks in different provinces, countries and regions (Bieler, 2000: 20). In particular, the growing number of Trans-National Companies (TNCs), and the relationship between world export chains and FDI can be perceived as the most significant processes which demonstrate the increased significance of transnational production networks (Bieler, 2006: 49-50). However, this does not automatically mean that transnationalisation of production refers to a borderless global market; rather, it is to emphasise that the outflow of FDI and the growth of TNCs are part and parcel of the globalisation process (Bieler, 2000: 22). According to Robinson, transnationalisation of capital has led to the emergence of a Transnational State (TNS), which is responsible for mediating and guaranteeing capital accumulation at the global scale (Robinson, 2000: 2; 2001: 157). In line with this thinking, the nation-state is considered as a collective authority for the global ruling class; the nation-state thus became absorbed into the structure of global capitalism; and the new TNS organises new class relations between global capital and global labour (Robinson, 2001: 158). The main argument of the TNS thesis is that:

capital has become increasingly liberated from the spatial barriers of the nation-state as a result of new technologies, the worldwide reorganisation of production, and the lifting of nation-state constraints to the operation of the global market taking place under globalisation (Robinson, 2004: 39-40).

In contrast to Robinson's conceptualisation of TNS, "transnationalisation of capital" neither effaced each state's national and internal functions nor spawned a transnational state. Neither the space of state action nor the space of capital can be taken as global/transnational or superior to each other (Oğuz, 2008:3), but the point should be to "appreciate in which [ways] capitalism operates through nodal rather than dominant points" (Bieler & Morton, 2013: 35). It is true that the transnationalisation of capitalist relations has affected the structures of the state, but it has not led to the supersession of nation-states (Bieler & Morton, 2013: 33). As Poulantzas clearly expresses, as a result of the internationalisation (transnationalisation) of capital, all nation-states came to accept and to create the necessary internal conditions for the maintenance of international accumulation, such as fiscal policies, oppressing labour by laws and regulations, and pushing aside

all restrictions to the expansion of capital (Poulantzas, [1974]1975: 47). Another problematic aspect of the TNS conceptualisation is that it reduces the role of the state to a transmission belt (Kiely, 2010: 143), repeating the errors of instrumentalism. Robinson, therefore, argues for a reductionist view of the state, which views class relations as external to the nation-state. He also tends to exaggerate the role of “transnational capital” in its relationship with nation-states, and consequently, overlooks the role that nation-states play in deepening and increasing the speed of integration (Kiely, 2010: 144).

As a pillar of the historical materialist approach and the philosophy of internal relations, which suggests that all entities are internally related to one another, the state itself is a relation by which the interests of transnational capital are interiorised (Bieler & Morton, 2008: 116). Drawing on the works of Poulantzas, and Gramsci before him, it is necessary to conceptualise the state as a condensation of class relations without underestimating the relationship between the state’s internal functions and international market conditions, and ‘global capitalist relations of production’ (Bieler & Morton, 2013: 38). Gramsci argues that the state is present in both civil society and political society, the totality of which is called the integral state (Gramsci, 1971: 269). Poulantzas later developed the Gramscian concept of the integral state into an analysis of economic relations (Jessop, 2014). It is in this context that the internal relations between the state and capital, the state and market and the political and the economic are taken into account (Bieler & Morton, 2013: 38). The political field of the state, thus, is studied as part of an analysis of the role of the state in reproducing social relations of production and in responding to global structural changes in the modes of capital accumulation through the realisation of transnational capitalist interests. More precisely, nation-states are responsible for constituting and maintaining the necessary internal conditions to maintain international accumulation, “such as stable prices, constraints on labour militancy, national treatment of foreign investment and no restrictions on capital outflow” (Poulantzas [1974] 1975: 20). This means internationalisation/transnationalisation of capital is not understood as a process which surpasses the state but involves “a

process of internalisation within which interests are translated between various fractions of classes within states” (Bieler & Morton, 2003: 487).

This means new transnational class forces and the state are not exterior to each other, but rather, their relationship is represented through class struggles within the state form (Bieler & Morton, 2013: 42). Individual states have become more complex and contradictory due to the clashing interests of the different fractions of capital. Inter-class and intra-class struggles are crystallised within and through the forms of individual states (ibid., 43). Seen in this light, international or transnational capital are not always superior to nation-states. Rather this internationalisation or transnationalisation of capital is *“founded on an induced reproduction of imperialist power dominant in each national formation and its own state”* (Martin, 2008:245). The state’s public functions have been internationalised with respect to capital, and transnational class forces need state support more than ever before to extend the base of production of capital. In other words, policy-making channels of state institutions have become responsible for the formation of local expressions of the transnational process of capital accumulation, and managing the reconfiguration of class forces and inter-class and intra-class struggles between various fractions of capital (Bieler & Morton, 2003: 477:489).

Despite the loss of sovereignty of nation-states in the face of globalisation, many states not only deal with multi-level governance but also generating and managing extraterritorial spaces such as export processing zones, offshore financial centres and tax havens (Jessop, 2010: 42). This is achieved at the spatial scale of state power which is also characterised by U&CD (Bieler & Morton, 2013: 36). In order not to fetishize the impact of globalisation on the structures of states, it can be argued that state-capital relations “require some form of separation of a profit-oriented, market-mediated economy from a juridico-political order that secures key extra-economic conditions for accumulation and social cohesion” (Jessop, 2010:41). Although some nation-states are not entirely able to coordinate their interests in international/supranational organisations such as NAFTA, NATO, the G8, or the European Union, they remain significant for managing and organising microsocial conditions for the maintenance of the capital accumulation (ibid., 43). When capital

moves freely through the global market, different nation-states pursue different strategies to regulate economic activities, thereby internalising the interest of transnational capital within their structures⁷. In this sense, FDIs and operations of TNCs are mediated by each nation-state in different ways since each country has specific social and economic environments.

3.5. Conclusion

This chapter examined the role of the state in free trade relations as theorised in mainstream approaches to the international political economy, neoclassical-liberal and institutional approaches, to provide a theoretical and analytical basis for my historical materialist understanding of the concept of the state and the dialectical relationship between the state and the capital. The chapter argued that neoclassical-liberal and institutional approaches are problematic as they define the state as an abstract entity or as a monopoly on the legitimate use of physical force. More precisely, it argued that mainstream approaches do not analyse the class character of the state and thus states' various operations and strategies in mediating the interests of the fractions of classes within the power bloc. In short, these inabilities of mainstream approaches arise out of their treatment of the state as singular, monolithic, or a sovereign subject, which lead them to consider the relationship between state and capital as external. Rather, the chapter argued that the state is a moment in the various class struggles. Thus, the state is considered as a social relation and reproduction of social relations of production.

Drawing on the writings of Poulantzas, the chapter argued that state theory ought to concentrate upon the relative autonomy of the state apparatuses and the class struggle within the political and economic spheres. Poulantzas, in this regard, proposes that the state enjoys relative autonomy vis-à-vis social classes and fractions of classes, and in addition to this, the state does not only engage in relationships within the power bloc but also between the dominant and dominated classes. The state is not an instrument in the hands of the bourgeoisie, and does not directly

⁷For instance, the French president is opposed to signing the Trans-Atlantic Trade and Investment Partnership agreement between the EU and the USA, which would have significant impacts on the internal structures of the French social formation (Foreign Policy, 2016). This illustrates that the relationship between the state and transnational capital is not always unilateral.

represent the interests of dominant classes within the power bloc; thereby the state cannot be considered separately from the relations of production. To mediate the interests of the dominant classes, and to control the dominated classes, the state also organises hegemony over the dominated classes by seeking their active consent. In this regard, this study attempts to theorise the state without lapsing into an instrumentalist account or a transnational state theorization. It is also argued that, although the transformation of the relations of production brought major challenges to the nation-state, the economic, political and ideological functions of national states are still important. Internal structures of domestic economies have become more important as a result of the withering-away of most obstacles to capital mobility (Savran, 2008: 35). This consolidation of states' internal functions has become more apparent in the wake of the latest global financial crisis in terms of resolving social, political and economic problems (ibid.). This is evident in the large subsidies given to bankrupt companies so as to recreate the necessary conditions for capital accumulation. Overall, the role of the state in the era of transnationalisation and internationalisation of capital has been restructured and updated in terms of both mediating the conflicting interest of dominant classes within the power bloc and internalising the interests of transnational/international capitalist classes. In this regard, it can be argued that the internationalisation of capital neither vanquishes nor bypasses the nation-state, but instead, passes through it. This is why states cannot be excluded from an analysis of capitalist social relations of production. Thus, capital needs states for a particular purpose: securing social and economic conditions for the reproduction of capitalist social relations of production.

The next chapters will present an analytical and critical basis to uncover how the relationship between transnational/international capital and the capitalist classes in Turkey have been constructed. Further, these chapters will also explore how the interests and operations of transnational/international capital have been internalised within the Turkish state structure and how the relationship between the Turkish state and capital has been reconstructed during the internalisation process. This is important so as to provide a solid account of how the process of internationalisation and transnationalisation of capital might relate to the history of neoliberalism, and

the specificity of the social relations of production under the umbrella of imperialist production chains which are fundamentally characterised by U&CD and the internationalisation of productive capital. This is explored in Turkey, in particular, by examining the relationship between the state and business associations.

4. Chapter IV: A Historical Materialist Analysis of Capitalism in Turkey

4.1. Introduction

This chapter provides a systematic exposition of the historical development of capitalism in Turkey with the purpose of highlighting the emergence of business associations and the shifting patterns of state-capital relations. By doing so, this chapter establishes links between the global free trade relations and the historical consolidation of capitalism in the Turkish context. The chapter focuses on the shift in the global free trade regime and its impact in the case of Turkey especially from the

1990s onwards. Using a neo-Gramscian analysis as outlined in Chapter I, it places emphasis on **the changes in social relations of production, the shift in state-capital relations** and the **internalisation of global free trade relations** within the context of the Turkish social formation. This chapter also provides a basis for a response to the first sub-question of this thesis, which inquiries into the class characteristics of members of different business associations.

This chapter draws attention to the changing patterns of capital accumulation in Turkey so as to grasp the change in the social relations of production within a historical framework. As the change in social relations of production in Turkey has been marked by a specific shift in the patterns of the global free trade regime, this chapter also discusses the changes in global patterns of capital accumulation and the ways in which Turkey integrates into global free trade relations. As mentioned in Chapter II, this study argues that the development of capitalism is not a linear progression and every society in the world has developed in different ways at different times. In accordance with Trotsky ([1930] 2000), Palloix (1977), Poulantzas, ([1974] 1975), and Panitch & Gindin (2004), this chapter grasps the articulation of the capitalist mode of production in Turkey which involves both the organisation of class relationships and the process of state formation. It also provides an overview of the differences between business associations engaged in social relations of production in different time periods, and the global/regional unevenness among business associations engaging in global free trade relations.

This chapter initially illustrates the historical conditions in which Turkish business associations have emerged and developed, so as to grasp the historical specificity of the ways in which Turkish business associations integrate into global capitalism as well as internalising global free trade relations, and the ways in which the relationship between the state and business associations are reflected within the state apparatuses. In what follows, this chapter attempts to demonstrate the structure of the historical development of capitalism in Turkey on the basis of shifts in the social relations of production at different times. It concludes with a final assessment and an overview of the empirical cases examined in this thesis.

4.2. The Making of Capitalism in Turkey

This chapter divides the analysis of capitalist development in Turkey into three different but connected periods which are: (i) commercial and agrarian capital-based accumulation until the 1950s, (ii) industrial capital-based accumulation based on the ISI model until the 1980s, and (iii) export-led capital accumulation in the post-transition period which initiated the internationalisation of Turkish capital. In this regard, this chapter divides internationalisation of Turkish capital into three junctures, which are: (i) internationalisation of commodity capital (1980-1989), (ii) internationalisation of money capital (1989-2001), and (iii) internationalisation of productive capital (2001-present). This chapter argues that the expansion global free trade relations towards peripheral countries like Turkey, has had a transformative impact on social relations of production in host countries. This has also influenced the integration of capital in peripheral countries into the global free trade relations. This will be analysed in this chapter and in empirical chapters.

4.2.1. The Defining Role of Uneven and Combined Development

With reference to the U&CD thesis, and in accordance with Ercan (2002; 2006), Özgür Öztürk (2011; 2014), Sebnem Oğuz (2008; 2011) and Derya Gültekin-karakaş (2007; 2009a), this chapter argues that the accumulation of capital in Turkey has taken different forms at different times. Following these theoretical arguments, the process of capital accumulation in advanced capitalist countries shifted the patterns of the global free trade regime. This has affected the social relations of production in Turkey, as a late-developing capitalist country*, through three stages of internationalisation of different circuits of capital (commodity, money and productive) in the advanced capitalist countries (Oğuz, 2008: 86). The term “internationalisation of capital” is used here to mean the expansion of capital on a world scale with a view to appropriate more relative and absolute surplus value for the revalorization of capital (Palloix, 1977:3). In this regard, the first stage in the late-

*The term “late-developing capitalist country” suggests that the development of capitalism is not a linear progression and every specific country engages in global relations of capitalist production in different ways at different times. This term, in no ways, suggests that social relations of production and the patterns of capital accumulation have changed from the period of early development. This term is used here in accordance with Trotsky’s uneven and combined development thesis in order to highlight the chronological differences among countries in terms of their transition to capitalism.

developing capitalist countries is export-based accumulation (Ercan, 2006). As discussed in Chapter I, Luxemburg ([1913] 2003) argues that this is a consequence of the spatial expansion of free trade relations towards non-capitalist spaces. The basic mode of capital accumulation in Turkey was initially centred on agricultural commodities. In the aftermath of the global crisis in the early 20th century, the second stage of the global free trade regime has started in the late-developing capitalist countries, which is the transition from commercial to productive (industrial) capital accumulation. At this stage, nation-states have played a significant role in terms of providing the necessary conditions for capital accumulation based on industrialisation (Poulantzas, [1974] 1975:87 & Panitch & Gindin, 2004:18). This transition was completed through the operations of transnational companies (TNCs), which shifted the basis of production and realisation towards late-developing capitalist countries (Amin, 1976: 89). This stage also coincides with the period in which import substitution industrialisation (ISI) policies are widely adopted in late-developing capitalist countries. The third stage of internationalisation started with the crisis of the inward-oriented accumulation model in late-developing capitalist countries in the 1970s. Consequently, productive capital in these countries has integrated into the global circuits of capital. In other words, the internationalisation of productive capital in late-developing capitalist countries has begun. This phase is also known as export-oriented accumulation in the late-developing capitalist countries (Oğuz, 2008: 88). In this period, global capital sought to find new spaces for its valorisation and realisation, which triggered a transition to neoliberalism in most late-developing capitalist countries. The final phase of the global free trade regime after the Uruguay Round in 1994 led the internationalisation of finance, services, and agriculture in the late-developing capitalist countries like Turkey. These stages are examined through the chapter.

4.2.2. The First Examples of Business Associations

Although there were almost 100 chambers of agriculture and industry in 1889 and 160 by 1908, they were not robust enough to make a tangible impact on the economy (Koral Turk, 1999: 293). However, there had also been some prototypes of the business associations in the late Ottoman period. These associations were mainly

organised outside the chambers and were established to bring entrepreneurs together, encourage them to work in collaboration with each other and to encourage the Ottoman state to increase its level of industrialisation (Koralturk, 1999: 297). The very first examples of these associations were Boykotaj Sendikasi (1908) (The Boycott Union), Tuccar-i Osmaniye Heyeti (1908) (Ottoman Merchants' Committee), Cemiyet-i Mutesebbise (1909) (The Entrepreneur Society), Istanbul Musluman Tuccar Cemiyeti (1914) (Istanbul Muslim Merchant Society), and Milli Fabrikalar Cemiyeti (1917) (The Society of National Factories) (Koralturk, 1999: 297). These are the first examples of business associations which were established to influence economic policies of the state. However, they failed to directly influence government policies until the establishment of the biggest and the most influential association: TUSIAD. As Chapter V argues, TUSIAD represents the largest companies in Turkey, and the transnational fraction of Turkish capital. As the commercial bourgeoisie was previously the dominant fraction in the capitalist classes, the industrial bourgeoisie only managed to establish its own organisation in 1950⁸ (Koralturk, 1999: 292-6). This pattern of late emergence of industrial business associations is a common peculiarity of late-developing capitalist countries, which integrate into global free trade relations in an uneven way. As the insertion of Turkey into global circuits of capital was restricted to the circuit of commercial capital before WWII (Palloix, 1977: 7), the circuits of money and productive capital were not internationalised at this time. The catalyst of capitalist development was the commercial bourgeoisie in Turkey as a late-developing capitalist country. In other words, primitive accumulation in the Ottoman Empire happened in the commercial capital cycle which had a disintegrative impact on pre-capitalist relations (Öztürk, 2011: 41).

4.3. Social Relations of Production and State Formation in the Transition Period

Once the Turkish nation-state was founded in 1923 in the aftermath of national upheavals, the sultanate regime was abolished, and a parliament was established in Ankara. Savran argues that it was this Kemalist revolution that completed the

⁸The first chamber of industry was established in Izmir in 1951, and the second in Istanbul in 1952 (Koralturk, 1999: 296).

unfinished task of the Young Turks by destroying the Ottoman state (Savran, 2002: 6). The Cumhuriyet Halk Partisi (CHP, Republican People's Party) has become the first political party of the new state and ruled the country until 1950 within a one-party system. In the early years of the Republic, there were multiple reforms in every sphere of social and political life. The Turkish state also established a new constitution which was intended to support private property relations based on liberal economic principles.

4.3.1. The Shift in Domestic Class Composition

The class composition of the Turkish republic in its early years included a weak working class, a large peasantry which was politically weak, and a dominant commercial-agricultural bourgeoisie. The foundation of the new Turkish state did not herald a change either in the class structure or the place of the country in global capitalism (Öztürk, 2011: 47). The primary motivation of dominant classes in this period was to strengthen the incorporation of Turkey into global capitalism, mainly by establishing trade relations, as the bourgeoisie was weak *vis-a-vis* the international competitors (Gulalp, 1985: 334; Savran, 2002: 6). This was a necessity for the new Turkish state, as a late-developing capitalist country, in order to engage in the global value production process and the capital accumulation process. In this regard, one of the most important steps, taken by the Kemalist state on January 1923, was to create the Economic Congress of Izmir, which was organised in order to tackle problems in certain sectors such as credit, production, taxation, customs, and communications. The dominant classes represented in this Congress were the mercantile bourgeoisie and the landed classes. This Congress, therefore, involved a new alliance between the state and capital and a new period in state-capital relations (Yalman, 2002: 26). It would be wise to say that the state sought to create a national bourgeois class, a process which had already started in the 1908-1922 period (Schick and Tonak, 1987: 336). In this time, an active role in the process of capital accumulation was allocated to the state, a situation which has continued ever since. Parallel to the resolutions which arose out of the Congress, the establishment of the *Turkiye Is Bank* in 1924, and the *Turkiye Sinai ve Maadin Bank* (Turkish Industrial and Mines Bank) in 1925 further helped Turkish capitalists to flourish.

4.3.2. The Shift in the Mode of Capital Accumulation

In the aftermath of the 1929 global economic crisis, and at the end of the five-year regime of economic sanctions imposed by the Treaty of Lausanne signed in 1923 between the Ottoman Empire and the Allied Forces, Turkey made a deliberate attempt to shift its mode of capital accumulation to a more industrial base. This capital accumulation model involved creating state-owned enterprises (SOEs), which aimed at promoting state-capital relations through public tenders and subsidised credits (Marois, 2012: 47). Parallel to this policy agenda, Sumerbank (1933), Halkbank (1938) and Etibank (1935) were established to finance these SOEs through financial support and trade credits (Marois, 2012: 48). Korkut Boratav defines this period (1930-1939) as protectionist and statist industrialisation, or in other words, a state-led inward-looking development strategy (Boratav, 2014: 59-81). This provides evidence of the uneven and combined development of capitalism in Turkey for two reasons: first, state intervention appears as the precondition for the emergence of capitalist relations, and second, the adoption of economic regulations such as five-year plans materialised as a different path of transition to capitalism as opposed to the European countries (Savran, 2002: 8-9).

This strategy was also a response to the recession in raw material importation and a decline in trade volumes on a world scale after the 1929 global economic crises (Gulalp, 1985: 333). This global crisis provided incentives for late-developing capitalist countries like Turkey to shift towards industrial capital-based accumulation. In this period, the Kemalist state was the chief actor in terms of constituting patterns of capital accumulation, which included issuing import quotas and export-based foreign credits, and overvaluing the Turkish currency (Shick and Tonak, 1987: 337). The Kemalist state also established *Turkiye Cumhuriyeti Merkez Bankasi* (CBT; Central Bank of Turkey) in 1931 to internalise the capitalist financial system and to fund Turkey's national development strategies in the context of narrowing export earnings (Marois, 2012: 48).

The years between 1930 and 1939 saw a sustained process of industrialisation in Turkey, yet a mature industrial bourgeoisie did not emerge. Instead, industrialisation was put into effect through strong state intervention, mainly through its

implementing import-substitution policies. This period was defined by the internalisation of commodity circulation (Gulalp, 1985: 335). State intervention also worked for the benefit of the firms producing for the domestic market (Boran, 1962: 90-98). Industries also made the most of the opportunities provided by the implementation of the Law for the Encouragement of Exports (Teşvik-i Sanayii Kanunu). This is to say that the statist policies of the 1930s gradually led to the emergence of an industrial bourgeoisie (Boratav, 2014: 62), which was to dominate the circuits of capital and establish TUSIAD, as will be detailed in Chapter V. State-led development has lost its momentum by the end of the decade, and there had been a break in industrialisation policies because of the outbreak of WWII. In this period, the Turkish state intervened in the economy by confiscating the lands and animals of the non-Muslim bourgeoisie. In addition to this, the implementation of a Capital Levy (Varlık Vergisi) in 1942 aimed at taxing profiteers (Keyder, 1987: 37). Due to the application of this levy, non-Muslims were forced to sell their properties at a loss since the tax was not affordable. In fact, this was a way of transferring capital controlled by non-Muslims to the emerging Turkish-Sunni-Muslim bourgeoisie. In the years of the war economy, agrarian and commercial capital achieved an unprecedented rate of accumulation because of shortages at home, speculation and black-market trade (Gulalp, 1985: 336). Hence, Turkey succeeded in creating an industrial bourgeois class, but this new class struggled to win autonomy from political power (Schick & Tonak, 1987:338).

As each transition between different phases of capital accumulation necessitates a shift in the social relations of production, it also entails a restructuring of the class relations, which determine each pattern of accumulation itself (Gulalp, 1985: 333). On the state level, there had been a change in the power bloc in the early 1950s (Oğuz, 2008: 90). This period also witnessed a contradiction between the industrial bourgeoisie who were in favour of protectionism in foreign trade, and the commercial bourgeoisie who were in favour of a more liberal trade regime. This conflict within the power bloc was mirrored in the national Chambers of Commerce and Industry which were the semi-official business organisation of the local chambers of commerce based on geographical representation. Consequently, the Chambers of

Industry separated from the Chambers of Commerce. Further to this, a new law was passed setting up the TOBB (Turkiye Odalar ve Borsalar Birligi, Union of Chambers and Stock Exchanges), which is the general representative of all chambers (Oğuz, 2008: 91).

In the late 1950s, there were serious contradictions between the biggest land-owners, a privileged stratum within the Democrat Party, and rich merchants in the towns, and a second contradiction between the state and capital because of the state's suppressive intervention in the economy (Keyder, 1987: 40). This contradiction can also be explained with reference to the increasing foreign trade deficit which forced Turkey to restructure its pattern of capital accumulation. Parallel to these developments, the pattern of capital accumulation shifted from commercial and agrarian capital towards industrial capital, giving industrial capitalists greater power within the overall power bloc. As a result, there was a need to adopt the necessary legal and political superstructure to meet the needs of the changing patterns of capital accumulation (Savran, 2002: 11).

4.4. Transformation of the Foreign Trade Regime: The Shift towards an ISI Model (Late 1950s-1980)

The historical development of capitalism in Turkey involved a further change in the patterns of capital accumulation in the pre-1980 period which focused on production for the national market. This was a response to the over-accumulation of commercial capital in the previous years (Marois, 2012: 49), and an outcome of the recovery of the European agriculture sector, which led to reductions in global agricultural prices, and resulted in a foreign exchange crisis for Turkey (Oğuz, 2008: 91). As a consequence, Turkey shifted its capital accumulation model towards an inward-looking one by the mid-1950s. The inward-looking capital accumulation strategy (ISI) based on increased manufacturing capacity to replace import products.

In order to overcome the balance of trade crisis, the Turkish state made some attempts throughout this period, such as the enactment of Law for the Encouragement of Foreign Capital passed in 1954, which aimed to accelerate the inflow of FDI to Turkey (Oğuz, 2008: 92). However, this crisis could not be overcome

as the annual average rate of FDI inflow was insufficient. The transition from commercial capital accumulation to industrial capital accumulation gained momentum in the aftermath of the military coup on 27 May 1960, which represented an attack on the existing power bloc by statist, Kemalist military officials, supported by the Istanbul bourgeoisie who were neglected during the DP period for the sake of the majority of small capitalists and the agricultural bourgeoisie. In other words, without ignoring the other political reasons for the coup, one factor was that the industrial bourgeoisie was disaffected with the agriculturally centred policies of the DP, 'which subsidised the peasantry at the expense of industry' (Schick and Tonak, 1987: 342). Overall, this period provided a conducive legal and economic atmosphere for the emergence and rise of business associations. Protectionist foreign trade policies in the 1960s and 1970s based on inward-looking capital accumulation provided a suitable environment for productive/industrial capitalists to concentrate their capital inside the national borders. As a result, smaller and weaker fractions of capital were captured by the bigger and stronger capitals which had advantages in terms of producing more cheaply and employing more workers in the process of production. This mirrored the process of monopolisation of capital in the advanced capitalist countries, which led to a situation where big family-based holding groups, such as KOÇ, SABANCI, and CUKUROVA, emerged as the hegemonic fraction within the power bloc (Gulalp, 1985: 330). As an illustration, a few firms employing more than 200 workers, dominated the Turkish economy with their presence in the industrial production occupying almost 71.5% in 1967 (Özgür, 1972: 183-84, quoted in Öztürk 2011: 87).

As Chapter V argues, the newly emerged industrial bourgeoisie constitutes the main capital groups which established TUSIAD in 1971. As argued in the previous section, the dominant fractions of Turkish capital (the agrarian and commercial bourgeoisie) had benefited from the state policies in the previous years. In this period, certain sections of the commercial and agricultural bourgeoisie transformed themselves into industrial capitalists so as to internalise and benefit from the new patterns of capital accumulation (Gulalp, 1985: 337). By 1971, industrial production accounted for 60% of the national economy, rising from 30% in 1962 and 48% in 1967 (Ercan & Tuna,

2007:405). This period not only saw the emergence of productive capital in Turkey, and corresponding transformations of the capitalist state, but also provided a conducive atmosphere for the big holding groups in Turkey to centralise and concentrate their capital by buying smaller export and import firms (Ercan & Tuna, 2007:383).⁹ This was also achieved via partnership agreements, joint ventures and licence agreements between multinational firms and sectors of the national bourgeoisie such as KOÇ Holding (Eralp, 1980: 618). As Chapters VI and VII argue, this centralisation process did not strive to eliminate SMEs. However, it resulted in domination by a few big capitalists over the mass of smaller capitalists (Öztürk, 2011: 117). For instance, in 1969, 236 of the 251 most-consumed products in Turkey were produced by only three big corporations (Öztürk, 2014: 233).

In this time, the domestic market was protected by state policies, which also shielded capitalist classes in Turkey from competition from foreign firms. This protection was given in two different ways: (i) through public enterprises providing cheap materials for the private sector, and (ii) through state-private sector partnership (Sönmez, 1992: 114). In particular, the establishment of the State Planning Organisation (Devlet Planlama Teskilati; SPO) in 1960 fostered protectionism in foreign trade and state intervention in the economy. The state policies in this period protected certain fractions of capital in their initial period of capital accumulation and later helped them to monopolise the means of capital accumulation. Industrial capital also achieved a certain capital adequacy through its ownership of banks (Oğuz, 2008: 93). This period also saw the establishment of the *conglomerates* which brought various fractions of capital together in the form of holding companies, which represented the first generation of industrial bourgeoisie.

There were some contradictions during the ISI period. For instance, imports of raw materials increased from 33.4% in 1950 to 62.4% in 1979 of total imports. Hence, despite ISI, production was still heavily dependent on imports (TUSIAD, 1979: 11, quoted in Ercan, 2002: 24). This was a consequence of the uneven integration of Turkish capital into global free trade relations. Furthermore, Turkey produced

⁹KOC, SABANCI, ECZACIBASI, ANADOLU GROUP and many more are the examples of the monopolistic industrial firms, which established TUSIAD. This will be discussed in detail in the following chapters.

relatively low-tech products in these years and did not get the chance to compete in the global market. In late-developing capitalist countries like Turkey, the appropriation of surplus value usually occurs in the sphere of exchange, and this causes a relatively low rate of appropriation of surplus value in the sphere of production. As capitalists wish to produce more surplus value rather than making commercial profits, Turkish capitalists desired to move towards a productive capital-based model of capital accumulation rather than producing marginal surplus value through assembly production. However, the rate of industrialisation was slow, and export volumes did not provide the necessary currency flows to move up the value chain (Öztürk, 2014: 231). As a result of the fact that Turkey restricted the flow of foreign capital in this period, there was a currency crisis which showed to some extent the structural limitations of the ISI strategy (Gulalp, 1985: 339). As a generalisation, it is possible to say that the 1971 military intervention was a response to this currency crisis and aimed at reconstructing the patterns of capital accumulation once more (ibid. 340). The primary objective of military intervention, in general, has been to mediate the struggles between and within different fractions of classes in times of crisis (Savran, 2002: 3).

The form and the rhythm of development of capitalism in the 1960s and 1970s demanded that Turkish capital reproduce the capitalist mode of production in a specific form, or in other words, that it liberalises the foreign trade regime since the capital accumulation process had reached its domestic limits and had to find new markets to sustain the appropriation of surplus value. At this stage, the core capitalist countries started to shift the process of production towards more peripheral spaces (Bieler & Morton, 2014: 39), including Turkey, which provided the advantage of low wages. This period was the beginning of the internationalisation of Turkish capital and the end of the ISI strategy (Öztürk, 2014: 230). This is to say that, the hegemonic fraction of Turkish capital (mostly composed of the member firms of TUSIAD) was ready to expand internationally.

4.5. Transition to Neoliberalism: The Shift in the Social Relations of Production

The transition to neoliberalism involved a departure from protectionist foreign trade policies and a move towards a free trade regime. On the level of the social relations of production, this section places special emphasis on the shift in patterns of capital accumulation. In this regard, it takes internationalisation of certain circuits of Turkish capital into account. Therefore, it divides this transition process into three phases, which are internationalisation of commercial capital (1980-1989), internationalisation of money capital (1990-2001), and internationalisation of productive capital (2001-present). Despite the differences in the patterns of capital accumulation in these three different phases of internationalisation, there is not a radical departure among these phases (Öztürk, 2011: 128). It is thus safe to say that all the phases accommodate the internationalisation of different sections of capital. The distinctive feature of the phases is that one certain section of the capital (commercial, money, and productive) came to prominence in each of these phases.

4.5.1. Internationalisation of Commercial capital: The Shift towards Free Trade

Commercial capital was the first circuit to be internationalised, and this facilitated a departure from protectionist foreign trade policies to a free trade regime. There are two significant phases of internationalisation of commercial capital accumulation in Turkey. The first is the inward-oriented capital accumulation period in which big domestic corporations exploited the advantages of the ISI strategy. Hence, they increased their capacity to control the total circuit of capital. This phase, as argued in Chapter V, was an era in which TUSIAD members maintained hegemony over other fractions of capital. The second stage is the export-driven internationalisation period in which Turkish commercial capital integrated into global free trade relations (Ercan, 2002b: 23). As mentioned in the previous section, the ISI period represented the transition to productive capital accumulation, which is a direct consequence of the internationalisation of productive capital in the advanced capitalist countries, in other words, the expansion of the global free trade regime to peripheral spaces. It also involved the emergence of a national bourgeoisie in Turkey in a moment in which the dialectical relationship between capital and the state became crystallised. This is

to say that the transition to neoliberalism, and the resultant internationalisation of Turkish commercial capital, was a structural necessity as the inward-oriented capital accumulation model had reached its domestic limits in the late 1970s. As a result of internationalisation, barriers to capital accumulation were overcome (See Chart 1). The main pillars of the economy in this period involved promoting strong state subsidies, wage suppression, management of the exchange rate, and regulated capital movements (Oğuz, 2008: 105). This explains the fact that a new set of relationships were constructed in the social relations of production. Hence a considerable number of big corporations in Turkey have intensified and increased their ability to manage and influence the total circuit of capital inside the country, which will be detailed in Chapter V.

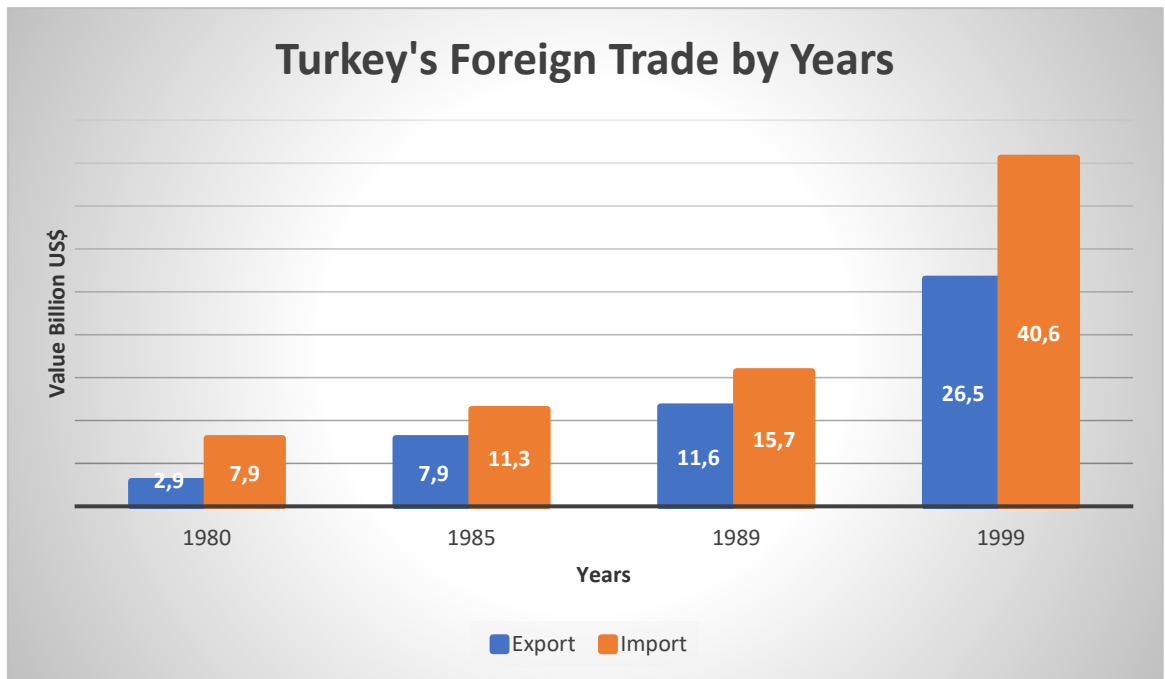
The transition to neoliberalism in Turkey was accompanied by the implementation of neoclassical-inspired, market-oriented structural reforms, which started in the late 1970s, within a context of global capitalist crisis. Since the revalorisation of the total circuit of capital was negatively affected by the long depressive wave of crisis in advanced capitalist countries, the individual capitalists in these countries had to search for new outlets for their commercial, money and industrial capital (Panitch & Gindin, 2004:18). There was therefore a need to restructure the global division of labour between advanced and late-developing capitalist countries (Poulantzas, [1974] 1975:87). The internationalisation of Turkish capital in the 1980s was thus an outcome of the inherent crises of capitalism in the advanced capitalist countries which arose in the 1970s. Capital export and international integration through foreign direct investment (FDI) were the main ways of expanding the global free trade regime into peripheral spaces (Panitch & Gindin, 2004: 19). The IMF was also restructured in this period. It became an institution which pressurised and coerced peripheral countries to integrate into global free trade relations. In the case of Turkey, in 1979, the IMF launched a financial assistance package to save the Turkish economy from collapse because of the failure of the Turkish government to repay interest payments (Marois, 2012: 65). This intervention paved the way for departing from an inward-looking accumulation model to an outward-looking one, which aimed at liberalising

the Turkish foreign trade regime and restructuring the role of the Turkish state in economic activities (Yalman, 2012:23).

The period between 1981 and 1987 is a distinctive phase in which the Turkish economy integrated into the global capitalist financial system by removing all the barriers to foreign trade. Free market principles have been the determining rule in the market, and the state implemented a policy in order to increase its commodity and service exports (Yeldan, 2011: 39; Tanyilmaz, 2006: 293). As highlighted in Chapter III, the global agenda of free trade expanded beyond trade in goods and towards trade in services, finances and agriculture (Bieler and Morton, 2014: 41). The military regime maintained earlier policies designed to promote a deeper global integration after the 12 September 1980 military coup and civilian governments also continued these policies in the 1980s (Yalman, 2002: 39). This transition process was initiated with the “24 January Decisions” undertaken by a neoliberal technocrat, Turgut Ozal, who was the prime minister and president between 1983 and 1993. The neoliberal turn crystallized in the establishment of the 1982 Constitution (Savran, 2002: 15). Liberalisation of foreign trade, therefore, gained momentum in the 1980s and constituted the basis for the neoliberal policies of the next decades (Savran, 2002: 15).

On the other hand, in the later stages of the ISI strategy, Turkish industrial capital accumulation based on durable consumer goods production became almost unsustainable, which made an investment in productive capital necessary (Ercan, 2002: 24). As argued in Chapter II, the competitive advantage of any country would automatically suffer from imbalances and foreign trade deficits as they enter in the global free trade relations in an uneven way (Shaikh, 2007: 10). The Turkish commercial bourgeoisie, therefore, shifted towards an outward-oriented capital accumulation model to overcome the barriers to competition in global markets.

Chart 1: Turkish Foreign Trade Statistics in the Internationalisation of commercial capital Period



Source: Author's compilation based on TUIK DATA, 2016.

The new capital accumulation model in the 1980s posed some serious difficulties for the big Turkish companies which were not exactly armoured and ready for global competition. For instance, Turkish exporters failed to achieve a regional diversity in their share of foreign trade partners. European countries became the largest export market for Turkey in the 1980s, while external economic relations with countries in the Middle East and Asia remained stagnant. More importantly, Turkish exporters were not able to realise an increase in the export of industrial goods. Instead, they shifted their trade towards the service sector in accordance with the prescriptions of the GATT Uruguay Round (Öztürk, 2014: 238). As a result, cracks and contradictions emerged among different fractions of Turkish capital regarding the ways in which to integrate into the global process of capital accumulation (Ercan, 2002: 22). These contradictions will be highlighted in the empirical chapters.

As the state is an actual sites of political class struggle and reproduction of social relations of production (Poulantzas, [1978] 2000:25), the state restructured intra-capital relations and the relationship between the state apparatuses and particular fractions of Turkish capital. These contradictions arose out of the transition to neoliberalism which did not develop independently from the outside control of the IFIs. However, these reforms were not directly imposed from outside (Marois, 2012:

99). Touching on Poulantzas, this suggests that the Turkish state cannot be seen as simply a tool in the hands of IFIs (Poulantzas [1978] 2000: 37). Rather, Turkish state apparatuses under the control of the military regime, and the larger fraction of Turkish capital represented by TUSIAD actively engaged in this process due to their willingness to integrate the Turkish economy into the global neoliberal economic system. By doing so, the state managers demanded the support of a bourgeoisie who were loyal to these neoliberal adjustment policies (Yalman, 2002: 39). As stated in Chapter III, the internal relations within the state structure are significant to analyse the role of the state in integrating into the global relations of free trade. Accordingly, the alliance between Turkish state managers and TUSIAD was formed in support of neoliberal policies (Boratav, 1990:199-229).

Chapter V demonstrates that TUSIAD was willing to operate in a market-oriented economic system but also wanted to maintain its privileged relations with the Turkish state apparatus (Marois, 2012: 101). Different branches of domestic capital also supported neoliberal, market-oriented policy reforms. For instance, Chapter VI argues that MUSIAD and TOBB which represent the interest of SMEs supported this project (Öniş, 1997:758 & Marois, 2012: 101). However, state interventions mainly worked for the benefit of the larger fractions of Turkish capital. As an illustration, exports increased from 3.3% of GDP in the 1960s to 16% between 1980 and 1997. A significant amount of this increase was realised through international subcontracting agreements in labour-intensive sectors (Ercan, 2002: 33). This brings us to a conclusion that, as mentioned in Chapter III, state policies might favour some fractions of capital, while deteriorating other fractions (Bryan, [1987]2007: 274). As the transition to neoliberalism demanded cooperation between state apparatus and the larger fractions of capital, so at different times in different ways, support was provided by the military regime and its successor civilian governments for TUSIAD and MUSIAD, by implementing market-friendly policies. This provides a typical example regarding the state's role in organising different fractions of capital. This neoliberal restructuring, strengthened after the establishment of the 1982 Constitution, was designed to protect the power of the state apparatus and the business elites' privileged access to the state apparatuses (Öniş, 1997: 749).

The 1982 Constitution not only built closer relationships between the state apparatuses and capital groups but also changed the form of the Turkish state. This was a process which attempted to put an end to class-based politics (Yalman, 2002:38) by disorganising labour and closing the trade unions (Ozbudun, 2000 & Sakallioglu, 1991). As Poulantzas and Jessop argue, because the dominant classes are not able to act as a uniform and single entity due to their contradictory and conflicting interests, the crucial role performed by the state apparatuses is, therefore, managing class contradictions and securing the cohesion of dominant classes, while disorganising the dominated classes (Poulantzas, [1968]1978:54; Jessop, 1982:186). Indeed, the restructuring of the state in the aftermath of the military coup appears 'as an integral part of [the] new hegemonic strategy' (Yalman, 2002: 39). The existing hegemony was in crisis in the 1970s because of the increased strength of organised labour movements. On the other hand, conflicts between capital fractions became intensified, and thus, military regime appeared as guardians of the survival of the bourgeoisie (ibid.). In this regard, the state under the control of the military was relatively autonomous and hence was able to unite the power bloc, while dividing the dominated classes.

As detailed in Chapter III, the state not only manages the contradictions between dominant classes but also mediates the relations between dominant and dominated classes to pursue its hegemony (Bieler & Morton, 2013: 41; Jessop, 1985: 57). Some important legal changes, therefore, influenced the power relations within and outside the power bloc and led to significant shifts in class relations. The military government, for its part, implemented new laws to control the labour movement and to decrease the number of unionised workers. The density of union membership was the highest it has been in Turkish history in the late 1970s (Akkaya, 2002: 64). This meant that class struggle between workers and capital owners was much more visible in every sphere of social life. For this reason, it was essential for the fractions of capital and state authorities to put an end to class-based politics (Akkaya, 2002: 69). As an outcome, the stand-by agreement signed with the IMF covering 1980-83 and the agreements made with the World Bank for Structural Adjustment Loans reduced opposition from the society and social forces (Ercan, 2002: 25). This intensified the

contradictions between the working class and capital on behalf of the capitalist classes. In short, this transition was a reaction of the dominant classes to suppress the working class which developed rapidly throughout the 1960s and 1970s.

The weakening of the organised struggle of labour required the state to introduce hierarchical spinoff mechanisms to mediate the conflicting interests of the capital fractions and substitute for direct confrontation. For instance, the floating of interest rates after the 24 January Decisions removed the barriers to mobility of international money, which deepened the gap between big fractions of capital and SMEs. The military regime also established the Export Promotion and Implementation Department, gave Export Promotion Licences to exporters, and to set up an Export Promotion Fund. All of these measures aimed at mediating the conflicting interests of capital fractions and constructing the bourgeoisie's hegemony in the aftermath of the transition to neoliberalism, which involved the adaptation of the Thatcherite slogan: "There is no alternative".

4.5.2. The Shift in the Mode of Capital Accumulation: Internationalisation of Money capital

With Decree No. 32 implemented in 1989, the control over capital movements was lifted and capital groups were allowed to establish private banks, liberalise their interest volumes and foreign exchange controls, all of which have facilitated the growth of the Turkish bourgeoisie (Ergüneş, 2007: 240). On the other hand, this Decree has left Turkish capital unprotected against international capital movements (Ercan, 2002: 32). This has also increased the inflow of short-term capital and loans. At the same time it cheapened the price of imports, but had an adverse impact on export.

In this context, the process of money capital accumulation has witnessed three main periods. The first was the integration of idle resources inside the country into the capital accumulation process. As the obstacles to establishing private banks were lifted, these private banks have started to engage in foreign trade and import foreign currency into the country (Ergüneş, 2007: 251-53). The second was is the international money capital-led period, which was mainly dependent on external finance and global capital movements. This process also related to the shift in the

global free trade regime in the 1990s, which sought to internationalise the global finance sector. Accordingly, it was intended to enhance the ability of money capital to carry out strategic manoeuvres (Ergüneş, 2007: 255). As an illustration, the share of public banks in the Turkish banking sector has decreased from 45.3% in 1981-85 to 33.6% in 1997 (Ergüneş, 2007: 258). The third period was the era of the restructuring the economy on behalf of international capital, which worked mainly to the benefit of the industrial bourgeoisie (Ergüneş, 2007: 259). Chapter V argues that some fractions of Turkish capital have developed unevenly at the expense of others because of the role of state policies in the development process. This has crystallised the contradictions among capital fractions (Gültekin-karakaş, 2007: 287). There were some significant dimensions of this contradiction. Firstly, favouritism in the finance sector resulted in a dramatic increase in interest volumes, which increased the value of variable capital which refers to money expended on labour-power. In relation to the first dimension, favouritism in finance has led holding banks - established in money capital form - to become more competitive in relation to industrial capital, capturing capital which might otherwise be invested in industry. For instance, there were 32 holding banks in the top taxpayers list in 1999. Thirdly, it encouraged international money capital to invest in Turkey. This led to an increase in the currency value, and provided some particular advantages to those particular big capital groups which can shift between different sectors (Gültekin-karakaş, 2007: 287-88).

The 1990s witnessed the transformation of the industrial bourgeoisie into finance capital in classical Marxist terms, which involved the fusion of the industrial, commercial and money capital (Savran, 2002: 18). This resulted in a struggle between two fractions of capital in Turkey, which are the first generation of capitalist classes and the second generation of capitalist classes.¹⁰ In fact, the emergence of the second

¹⁰In the next chapters, the thesis will provide a detailed conceptualisation of capitalist fractions in Turkey. For the present I will only mention this: the first generation of bourgeoisie refers to the capitalist classes who entered into the process of capital accumulation before the other fractions of capital. This fraction basically consists of the member firms of TUSIAD. The second generation of bourgeoisie refers to the ones who entered the process of capital accumulation later than the first generation. This basically refers to the member firms of MUSIAD and TUSKON. I refrain from using concepts like “secular bourgeoisie” or “Islamist bourgeoisie” as the definition of classes is not determined by their religious stance, but the way in which they engage in the process of capital accumulation. This will be detailed in the next chapters.

generation of the Turkish bourgeoisie coincided with the transformation of the industrial bourgeoisie into finance capital.

State policies in this period have worked to the benefit of some fractions of capital, while weakened other fractions. Policies on rent transfers to banks through state borrowing adopted in the 1980s and 1990s have led to monopolisation in certain sectors as it has served as a mechanism of resource transfer to big capital (Oğuz, 2011: 7). As SMEs are not allowed to get state borrowing, they were eliminated from many sectors (Yeldan, 2011: 144-155). The big holdings preferred to invest in the banking sector rather than in manufacturing as it was more profitable to invest in banking. However, this did not have a serious impact on Turkey's industrial development since holding companies preferred to enjoy high rates of interest coming from state borrowing rather than developing a systematic strategy based on labour productivity. Touching on the arguments made in Chapter II, the appropriation of surplus value based on high-value-added sectors and high-tech sectors remained insignificant¹¹, and therefore, this pattern of capital accumulation was ultimately unsustainable (Gültekin-karakaş, 2007:277). Eventually, the favouritism towards finance capital resulted in the 2001 banking crisis in Turkey. In the light of this events, the state and capital sought new reforms to enable the big holding companies to compete in the global market. Both MUSIAD and TUSIAD as representatives of commercial and industrial capital were in favour of reforms in the banking sector for different reasons. TUSIAD, for its part, represented firms which were mostly in the process of integration into global capitalism and thus demanded reforms compatible with international norms and principles, which would pave the way for their integration into larger-scale markets. On the other hand, MUSIAD was in favour of reforms favouring internal sectors for the sake of SMEs (Gültekin-karakaş, 2007: 296). Concomitant international developments also increased the extent to which the Turkish bourgeoisie was internationalised, for instance, the demise of the USSR in 1991, the Customs Union agreement signed with the EU in 1996, and the East Asian

¹¹According to Saygili, low value-added sectors constitute 40% of the total value-added in industrial production between 1990 and 1997, while high value-added sectors constitute 5.5% of the total value added (Saygili, 2003). This means that the Turkish industrial sector was still labour-intensive in the 1990s.

Crisis started in 1997. After the collapse of the Soviet Union, Turkish capital has expanded towards countries in Central Asia and the Caucasus. In 1999, after the Helsinki Summit of the European Council, Turkey was accepted as “candidate state destined to join the Union”. The relations with the European Union was also integral part of the internationalisation of Turkish capital in the 2000s, which will be detailed in the following chapters. Overall, however, the reform packages and liberalisation policies since the 1980s have weakened market conditions in Turkey. In other words, the shift from ISI to an export-led development model deregulated the market. As a result, Turkey was hit by a severe banking crisis in 2001.

4.5.3. Internationalisation of Productive capital: Internalisation of Global Free Trade Relations within Turkey

The first two phases of internationalisation of capital have occurred in the circulation sphere including commercial and money capital, while the third and last phase, the internationalisation of production, crystallised in the sphere of production. This reflected the emerging principles of the global free trade agenda relating to the GATT Uruguay Round. This also relates to the emerging Post-Washington Consensus (PWC) which is a new phase of neoliberal capitalist development which emerged in the wake of the East Asian economic crisis in 1997. As the global trade in goods and services were in decline in the aftermath of the 2008-9 global financial crises, “developing countries” like Turkey were still urged to integrate into the global economy by increasing foreign trade and FDI (Rogers, 2010: 18). In this period, Turkey has placed itself in a new location in the global free trade system.

The policy prescription of the PWC era centre on the institutionalist idea that active and regulatory states can efficiently solve the stagnations arising in the total circuit of capital due to neoliberal free trade (Rogers, 2010: 11). In short, it is suggested that capitalists are not themselves able to manage the contradictions and errors in the market; therefore, there was a need for more regulatory and proactive government and supervisory institutions to enhance private-sector-driven growth (ibid.). On the other hand, this period also saw the internationalisation of Turkish productive capital including commercial and money capital. It should be noted that this process was part and parcel of the internalisation of the operations of transnational capital within

the context of the Turkish social formation. Indeed, the hegemonic fraction of Turkish capital and the state authorities knew that patterns of capital accumulation had to be standardised in line with the dynamics of the global accumulation regime. As the money capital-based accumulation period was based on low-wage exploitation, it was essential for Turkish capitalists to move into higher value-added accumulation and increased mechanisation (Gültekin-karakaş & Ercan, 2008). In this context, a shift in the patterns of capital accumulation was vital in order for Turkish productive capital to strengthen its competitive power and integrate into global free trade relations (Gültekin-karakaş, 2009b: 126).

4.5.3.1. The AKP's coming to Power: Unravelling the Hegemony

By the end of the twentieth century, Turkey had entered a new phase of neoliberalism in line with the policy principles of market-oriented internationalisation (Ercan & Oğuz, 2006: 648). The internationalisation of productive capital was not only a demand of Turkish capitalists, but also an economic prerequisite for continued accumulation, since the process of money capital accumulation has reached its limits, and it was required in order to integrate Turkish capital into the global accumulation process (Ercan, 2002: 6). The AKP came to power in 2002 after general elections in November, in the period following the banking crisis. The distinctive feature of the pre-AKP period was the lack of any hegemonic power which was able to unify the interests of Turkish capital (Oğuz, 2016: 93). As we have seen, the dominant classes must be unified under the hegemony of one fraction of a given class or a fraction within the power bloc which is able to secure and advance the interest of all fractions, and bring various class fractions together, while disorganising the popular masses (Poulantzas [1978] 2000:91). In Turkey, the AKP appeared as a new hegemonic power within the power bloc. Thus, it obtained the support of different fractions of social forces within and outside the power bloc. These fractions of capital sought to expand into new markets. For instance, the EU membership process was supported by an alliance between TUSIAD and the state in the beginning of 2000s (Keyman & Öniş, 2007: 40). The EU membership was perceived as essential to integrate into the global free trade relations (Yaka, 2011: 81). On the other hand, Turkey's foreign economic relations have witnessed a shift

during the AKP era in the context of the restructuring the Ministry of Foreign Affairs under the rule of Ahmet Davutoglu. This was accompanied by the improvement of bilateral political and economic relations with neighbouring countries. However, the main aim, partially conditioned by the 2001 financial crisis, was to foster a deepening of neoliberal restructuring in the aftermath of the crisis.

4.5.3.2. Regional Expansion of Turkish Capital through Free Trade Agreements

In accordance with the internationalisation of productive capital, Turkey signed free trade agreements (FTAs) with different countries around the world. As mentioned in Chapter II, these FTAs was a response to the expanded free trade agenda in the aftermath of the GATT Uruguay Round, which furthered bilateral trade agreements at a time when further multilateral agreement was stymied (Bieler & Morton, 2014: 42). According to the shift in the global free trade agenda, these FTAs did not only include trade in goods, but also services, agriculture and finance (Ersoy, 2013). For instance, the Turkey-South Korea FTA signed in 2013 included trade in goods, services, investment, agriculture, and intellectual property rights (Ministry of the Economy, 2014). Turkey also signed FTAs with Tunisia in 2005, Morocco in 2006, Egypt in 2007, Albania in 2008, Georgia in 2008, Serbia in 2010, Montenegro in 2010, Jordan in 2011, Chile in 2011, Malaysia in 2015, Singapore (forthcoming), and negotiations are proceeding with Ukraine, the Democratic Republic of Congo, Japan, Colombia, Ecuador, Mexico, Peru, Cameroon, Libya and many others (Ministry of the Economy, 2016). In the field of political relations, Turkey has also conducted High Level Strategic Cooperation Council Meetings with Lebanon in 2010 (MFA, 2011a), with Iraq in 2009, whose subjects range from security to energy (MFA, 2011b), with Greece in 2016 (MFA, 2016a), through the fifth meeting with Gulf Cooperation Council High Level Strategic Dialogue (MFA, 2016b), and many more with different countries. Further, Turkey and Egypt organised a “Turkish-Egyptian Business Forum” which was held in 2010 (MFA, 2011c). Prior to the civil war, Turkey established new relations with Syria through organising common cabinet meetings, signed a free trade agreement and lifted visa requirements for Syria in 2009 (MFA, 2009). As a result, the volume of trade between Turkey and Syria almost doubled from \$1.4 billion to \$2.2 billion in 2010 (MFA, 2011d). However, Turkish imports from Syria declined to \$51

million in 2015 because of the deterioration of the bilateral political and economic relations with this country and its collapse into civil war (MFA, 2016c). Turkey reduced a range of trade barriers with Lebanon and Jordan in 2011 to advance a set of economic goals aimed at creating a free trade area (Tur, 2011). More significantly, the construction of post-war Iraqi Kurdistan provided a cross-border opportunity for Turkish businesspeople to expand their investments. Hence, Iraqi Kurdistan became Turkey's second largest trade partner by 2011 (MFA, 2011b).

As the real form of motion of capital from one place to another creates new conditions of production and results in differentiation (Palloix, 1977:3), the internationalisation of productive capital has caused some significant changes in the regional patterns of the AKP's foreign economic relations, which were accompanied by the diversification of Turkey's foreign trade partners. Tables 2 and 3 demonstrate that there has been a substantial increase in the share of Near and Middle Eastern and Organization of Islamic Cooperation (OIC) countries, and a dramatic decline in the share of European Union (EU) countries as Turkish foreign trade partners during the selected period. In 2006, the Near and Middle Eastern Countries received only 13.2% of Turkish exports, but by 2015 the ratio had increased considerably to 21.6%. Similarly, OIC countries have become a popular destination for Turkish foreign trade. Between 2006 and 2015 Turkish exports to these countries rose from 17.5% to 29.7%. On the other hand, the proportion of Turkish exports sent to EU countries has decreased from 56.3% in 2006 to 44.5% in 2015, although the absolute value of these exports increased in a context of rapidly increasing exports. Although there has been a dramatic increase in the share of non-EU countries in the Turkish foreign trade, the EU countries still occupy a central place in the share of Turkey's foreign trade partners. This shows the relations with the EU countries is an integral part of the expansion of Turkish capital towards world markets, and at the same time, the EU membership process involved fiscal adjustment (Öniş & Bakır, 2007: 152). Also, Turkish finance capital has moved its investments from labour-intensive sectors to capital-intensive sectors within the period of the internationalisation of productive capital (Yukseler & Turkan, 2008: 13). This happened because of the continuing pressure on the Turkish bourgeoisie that was brought about by competition from

China and India which have greater advantages in labour-intensive sectors (Saygili ET. Al. 2010: 7).

Table 2: Export by Country Groups and Years, Share in Total (%)

Country Groups	2006	2008	2009	2011	2012	2015
European Union*	56.3	48.3	46.2	46.4	39.0	44.5
Near and Middle Eastern	13.2	19.3	18.8	20.7	27.8	21.6
Organization of Islamic Cooperation	17.5	24.7	28.0	27.7	36.2	29.7
African Countries	5.3	6.8	10	7.7	8.8	8.6

Source: Author's compilation based on TUIK DATA, 2016

Table 3: Exports by Country Groups and Years, Value: Billion \$

Country Groups	2006	2008	2009	2011	2012	2015
European Union*	48.1	63.7	47.2	62.5	59.3	63.9
Near and Middle Eastern	11.3	25.4	19.1	27.9	42.4	31
Organization of Islamic Cooperation	15.0	32.5	28.6	37.3	55.2	42.7
African Countries	4.4	9	10.1	10.3	23.5	12.4

Source: Author's compilation based on TUIK DATA, 2016

Moreover, there has been an attempt to offset the intra-regional and intra-sectoral unevenness of the process of production. To this end, the Turkish state has announced the "Eighth Five-year Development Plan" (2001-2005) suggesting that Turkish industrialists must focus on producing high value-added products which have become indispensable for Turkey's development (SPO, 2000: 21). The policy aim is to encourage companies to shift their production from low value-added sectors to high value-added sectors. This policy led to a concentration of new investments in higher

* Including the UK.

* Including the UK.

value-added sectors, even though established sectors also experienced growth. As an illustration, the annual increase in agricultural products' export was 5.1 percentage between 1996 and 2007, while this increase was 15.6 percentage for industrial goods, and 24.3 percentage for sectors producing capital-intensive goods such as electronic devices, motor vehicles, and communications devices (Yukseler & Turkan, 2008: 24). This means that commercial and money capital, which previously concentrated on the appropriation of absolute surplus value through labour-intensive production, have started to engage in the extraction of relative surplus value through specialisation in high value-added sectors and increasing labour productivity (Gültekin-karakaş, 2009b: 100).

In line with this shift, in the AKP period, Turkey has received FDI in greater quantities than any time in its history (see Chart 2). The resultant FDI inflow, which has transformed the social formation of Turkey, is one of the most important stimuli for the integration of the Turkish economy into the global capitalist system in the AKP period, as there has been a sharp growth of international money inflow coming into Turkey. As Hart-Landsberg (2013: 16-18) argues, this is also an outcome of the capital accumulation crisis in advanced capitalist countries since they have expanded their base of production in late-developing capitalist countries via the operations of TNCs (Gültekin-karakaş; Hisarciklilar; Hayta, 2013: 307). According to the ISO 500 List, 126 of the 500 leading companies involved in FDI in Turkey were foreign joint ventures (ISO, 2016: 45). However, Chart 2 also demonstrates that there has been a radical decline in the inflow of FDI coming to Turkey in the aftermath of the 2008-9 global financial crisis. To overcome this threat and to turn the crisis into an opportunity, Turkey implemented economic policies designed to encourage foreign capital to invest in Turkey. As Oğuz also argues (2011: 16), Erdoğan's speech which he delivered in the aftermath of the crises provides a solid background to the reactions of Turkey to the economic crisis.

We say that whatever you call it, money or capital or labour does not have a religion, does not have a country, and does not have a nationality. Money is like mercury: whenever it finds the proper environment, a safe environment for itself, it immediately flows there. That is a reality. If you prepare that

environment, it will flow to you, and if you fail to do that then it will turn its direction and go somewhere else. This is why we were determined to provide that environment. For that purpose, we also try to increase the flexibility of the labour market and to improve and strengthen the R&D and innovation capacity to expand knowledge and communication, the IT technologies, and to ensure high value-added production capabilities in the industrial and service sectors (Erdoğan, 3rd April 2009).

Chart 2: Foreign Direct Investment, Net Inflows (BoP, Current US\$).



Source: Author's compilation based on World Development Indicators, Created on 27/10/2016.

Chart 3: Turkish Foreign Trade over Time



Source: Author's compilation based on TUIK DATA (2016).

In this context, the AKP period is unique regarding the increase in FDI and foreign trade, which is a consequence of the growth in manufacturing, foreign direct investment and exports (See Chart 3). These developments can partly be explained

by the fact that domestic and foreign investments were highly encouraged and promoted by the AKP government at a rate unprecedented in Turkey's economic history (Ozkale & Yuksel, 2016: 2). This resulted in a fourfold increase in Turkey's foreign trade, in addition to a threefold increase in the size of the Turkish economy and its per capita GDP (Öniş & Kutlay, 2013: 1412). The reforms in the PWC era have also encouraged large domestic companies to expand internationally and to integrate into the global value-production process. Consequently, the AKP government took a more active role to improve the functioning of the economy through the PWC reforms.

4.5.3.3. The Role of the State in the Expansion of the Base of Production

As Poulantzas argues, the state plays a crucial role in expanding the space of production and accumulation of capital (Poulantzas, [1978]2000: 213). In the case of the Turkish state, this was achieved through regional policies that aimed to increase the global competitiveness of Turkish capital via the domination of industrial capital within the power bloc (Oğuz, 2013: 200). The diversification and proliferation of Turkey's trade partners, or in other words, the internationalisation of productive capital provided some fractions of Turkish capital with opportunities to find new spaces to operate, and hence to appropriate more surplus value. On the other hand, the AKP government provided public subsidies for SMEs after the 2008-9 global financial crisis and refused to sign a new stand-by agreement with the IMF (Oğuz, 2013: 205). This will be detailed in Chapter V and VI. In this regard, the AKP turned the crisis into an opportunity to increase foreign and domestic investments, while establishing a new mechanism to control the productive forces.

Although there has been a substantial increase in Turkish foreign trade volume and diversification in trade partners, the foreign trade deficit has reached almost \$100 billion by 2015 (See Chart 3). Also, contrary to the mainstream argument that free trade will create more job opportunities for the workers of each country engaged in it, unemployment in Turkey has risen to 11% (3.29 million workers) in 2016 (TUIK, 2016). Even though Turkey liberalised its foreign trade regime and engaged in free trade relations, this did not create more job opportunities and a balance of payments. Rather, Turkish exporters are highly dependent on imported products in the leading

export sectors such as the automotive, durable consumer goods, textile and garment industries (Yukseler & Turkan, 2008: 15-16; See Table 4).

Table 4: The Share of Goods in Turkey’s Export and Import (%)

Years	Share in Export (%)			Share in Import (%)		
	Industrial Goods	Intermediate Goods	Consumer Goods	Intermediate Goods	Industrial Goods	Consumer Goods
2001	42.7	8.5	48.7	66.1	20.9	12.7
2002	40.6	7.7	51.2	73.2	16.8	9.2
2003	39.1	9.2	51.1	73.0	16.3	9.5
2004	41.1	10.3	48.3	71.7	16.3	11.3
2005	41.2	10.9	47.4	69.3	17.8	12.4
2006	44.2	11.0	44.2	70.1	17.4	12.0
2007	46.1	12.8	40.7	71.4	16.7	11.5
2008	51.3	12.7	35.7	72.7	15.9	11.0

Source: Saygili, S. (ET. Al. 2010, p.7).

Table 4 demonstrates the production structure in Turkey until 2008 which was a breaking point for many countries hit by the global financial crisis. This shows that, during the 2000s, Turkey was heavily reliant on imports of intermediate goods as components for producing exports. Turkey has also moved up the value-chain in this and the subsequent period, but remains concentrated in low and intermediate value-added sectors. By 2016, the share of intermediate-low tech products in Turkey’s production was 39.3%; low-tech products was 37.4%; intermediate-high tech products was 19.5; and high-tech products was 3.7% (ISO, 2016: 13; 94). Among the top 500 industrial companies, the share of intermediate-high technology products (chemical products, electronic devices, motor land vehicles, and medical supplies) in Turkish exports was 51.5% in 2016, while the share of high-tech products was less than 5% (ISO, 2016: 94). This reflects the Turkish foreign trade strategy of “buying from Asian countries, selling to European countries” (Yukseler & Turkan, 2008: 15), positioning Turkey as a semi-peripheral intermediary between low-wage Asian producers and European consumers. This strategy leads to extreme dependence on

imports of low-value-added goods. According to Sönmez, 60% of Turkish exports are dependent on imports (Sönmez, 02 March 2013). Table 4 demonstrates that Turkish exports of industrial products are dependent on the import of intermediate products within the selected period. For instance, the share of intermediate goods in Turkish import in 2008 is 72.7%, while the share of industrial products in Turkish export is 51.3%. As Table 4 demonstrates, Turkey mainly engages in the export of industrial and consumer products based on cheap labour and assembly production for TNCs. This has meant that export production depends on imports, and has increased the share of intermediate goods in imports. This reflects the diversification of the global manufacturing process into segments in different countries, with Asia monopolising low-end industrial production, while Turkey integrates itself into the global value chain as an intermediate-good importer and finished-good exporter (see Table 4). In the process, Turkish firms shifted their patterns of capital accumulation by decreasing the value of variable capital, by lowering employment and lowering real wages, and by increasing the productivity of labour.

This process was accompanied with the internationalisation of the state's function in the 2000s. The reform packages implemented after the 2001 Turkish banking crisis aimed at restructuring the social relations of production in Turkey so as to eliminate all the remaining trade barriers and remove all obstacles the international operation of capital (Gültekin-karakaş, 2007:284-285). They also aimed at standardising capital accumulation patterns in all sectors from energy to the financial sector. This meant there was a need to restructure the state apparatuses. Therefore, another significant transformation is noticeable in the role and structure of the state.

With reference to Poulantzas ([1974] 1975: 73), the internationalisation of Turkish capital neither surpassed nor bypassed the Turkish state. Rather, the capacity of the Turkish state was increased so as to control and manage the regional expansion of Turkish business associations. The transformation of the state apparatuses, therefore, appeared to be as a response to, and a result of the 2001 banking crises of Turkey, which showed that the government at that time was not able to overcome the problems in the economy, such as overaccumulation, balance of payment deficits, high inflation rates and so on. Therefore, the state's executive branches and

institutions were restructured to play a more active economic role to maintain the global expansion of capital (Marois, 2012: 167). The transformation of the regular state apparatuses was demanded so as to facilitate changes at the level of the relations of production and accumulation. The structure of the state was reconfigured to pave the way for the internationalisation of capital, and thus, the state also internationalised during this process (Ercan, 2003a: 6).

In this regard, the formation of neoliberal authoritarian statism in Turkey in the PWC era was crystallised under the rule of the AKP government through the rise of independent regulatory agencies and the strengthening of the executive branch of the state vis-a-vis the administrative and judicial branches. This process will be detailed in Chapters VI and VII. The changes resulting from this process are also crucial in response to the second sub-question of this thesis, which explores the role of the Turkish state in global free trade relations. With reference to Poulantzas ([1974] 1975: 73), this was an attempt to manage “its domestic capitalist order in a way that contributes to managing the international capitalist order”. One of the most crucial steps in this context was banking reform in the aftermath of the banking crisis in 2001 (Oğuz, 2008: 118). This was essential for the continuity of productive capital-based accumulation. As the previous rent transfer mechanisms relying mainly on state borrowing had contributed to the collapse of the banking sector in Turkey at the beginning of the 2000s, there was a need to shift funds from state debts towards fixed capital investments (Oğuz, 2008: 119). It is thus fair to say that the IMF was concerned that the capital accumulation model based on state borrowing would further undermine the whole process of capital accumulation in Turkey, and, given Turkey's existing level of internationalisation, this would have a spillover effect onto other countries (Gültekin-karakaş, 2009b: 98). The banking system, therefore, had to be standardised in accordance with international banking standards (Gültekin-karakaş, 2009b: 95), removing a major channel for rent-extraction. This said, it is notable that these reforms were not directly imposed by the IMF, as Turkish state authorities were themselves enthusiastic to adopt these changes, even at the expense of some fractions of capital (ibid., 112). This shows that the Turkish state is not simply a tool in the hands of imperialist institutions. Rather, it still enjoys relative

autonomy in the national space. Consequently, the Banking Regulation and Supervision Agency (Bankacılık Düzenleme ve Denetleme Kurumu, BDDK) established in 1999 has made critical attempts to restructure the banking system. In the aftermath of the 2001 banking crisis, Kemal Derviş, who was the former vice-president of the World Bank, was appointed as the Minister of the Economy in order to restructure the banking sector and the economy in line with international norms. A new economic program called 'Transition to a Strong Economy' was announced suggesting that immediate reform was needed in critical sectors including telecommunications, energy, agriculture, and finance-banking (Marois, 2012: 168). This was a direct result of developments in the global free trade agenda in the post-Uruguay Round which expanded global trade from trade in goods to services, finance and agriculture. Derviş partially stated that the aim was to separate the economy from the political sphere, a goal which meant accelerating the process of state restructuring in accordance with neoliberal market principles (Marois, 2012: 168). In tandem with this, the Central Bank of Turkey was also reconstructed by granting it independence from the Turkish government.

The establishment of YOİKK (Yatırım Ortamını İyileştirme Koordinasyon Kurulu, The Coordination Council for the Improvement of the Investment Environment) exemplifies the intensification of the relationship between the state and capital (Akçay, 2013: 29). This Council is responsible for organising the relationship between different fractions of capital and the state and at the same time organising links between the international bourgeoisie and Turkish capital. With reference to Poulantzas, the economic functions of the state are constructed in certain state bodies which are charged with the depoliticisation of the decision-making process (Poulantzas, [1978]2000: 170). Moreover, The Turkish Sugar Authority (Şeker Kurumu), Energy Market Regulatory Authority (Enerji Piyasası Düzenleme Kurumu), Public Procurement Authority (Kamu İhale Kurumu), Competition Authority (Rekabet Kurumu), and Saving Deposit Insurance Fund (Tasarruf Mevduatı Sigorta Fonu) were strengthened in order to operate on behalf of the market rather than politics (Bedirhanoğlu, 2013: 54). The strengthening of the executive branch aimed at eliminating the contradictions within the state structure so as to put neoliberal

policies into practice (Bedirhanoglu, 2013: 52). This reconstruction has yielded dramatic changes in the relations between state financial apparatuses and capital-labour relations in Turkey. As Poulantzas argues, authoritarian statism plays a role in economic activities, such as the restructuring of industry, and selective aid to individual capitals (Poulantzas, [1978]2000: 212-13). In line with this, changes in the law gave the state financial apparatuses the ability to support some fractions of capital, while disorganising the popular masses. Legal regulations made by the AKP governments have provided opportunities to some fractions of the capitalist classes to invest inside and outside the country. Further to that, legal and institutional obstacles to privatisation were eliminated in accordance with “the new orientation of Turkish capitalism towards productive capital accumulation” (Ercan & Oğuz, 2015: 117). One example of these opportunities came through the amendments to Public Procurement Agency (Kamu İhale Kurumu), which aimed at opening public tenders to international competition through the cooperation between state apparatuses and business associations, such as MUSIAD and TUSKON (Oğuz & Ercan, 2006: 647).

As the state itself is a relation through which the interests of capital are interiorised (Bieler & Morton, 2008: 116), the interventions of the Turkish state in implementing neoliberal reforms can be assumed to express the economic-cooperative interests of fractions of capital. An example which can be mentioned in this context is the Economic Coordination Council (ECC), which played an active role in promoting public-private dialogue, especially after the 2008-09 global financial crises which began in the USA following the bankruptcy of Lehman Brothers. This global crisis is the worst one since the Great Depression in 1929 because most of the countries were badly hit due to the globally integrated economic system (Hanieh, 2009: 61). This crisis caused a dramatic increase in production costs and thereby a decline in global foreign trade volumes in most of the developing countries (Hanieh, 2009: 75). Turkey was not the exception in this case (see Chart 3). Turkish state authorities and domestic capital faced a challenge in 2008-9 because of the global financial crisis. 2009 witnessed sharp decreases of 22.6% in Turkish exports and 30.2% in imports (see Chart 3). The ECC brought state authorities and the representatives of the different fractions of capital together to offset the negative consequences of the

crisis reflected within Turkish capitalism and the Turkish state. It is important to emphasise that the financial apparatuses of the Turkish state made a significant effort to enhance regulations as part of this process.

4.6. Conclusion

This chapter provided a conceptual and empirical framework in which to understand the historical development of capitalist relations in Turkey with the purpose of drawing particular attention to the emergence and rise of business associations. It argues that the development of capitalism in Turkey is uneven and combined, which means that capitalist development has taken different forms at different times in the context of Turkey as a late-developing capitalist country. In order to provide a systematic exposition of the historical development of free trade relations and the role of business associations in Turkey, the chapter has divided the analysis of capitalist development in Turkey into three distinctive but related phases which are: (i) commercial and agrarian capital-based accumulation until the 1950s, (ii) industrial capital-based accumulation based on the ISI model until the 1980s, and (iii) export-led capital accumulation in the aftermath of the transition to neoliberalism. In this analysis, this chapter placed special emphasis on the social relations of production, class composition and state-capital relations in each of the phases.

This chapter also argued that the internationalisation of Turkish capital has begun with the initiation of the transition to neoliberalism. In this context, the chapter divided the internationalisation of Turkish capital into three phases, which are: (i) internationalisation of commercial capital (1980-1989), (ii) internationalisation of money capital (1989-2001), and (iii) internationalisation of productive capital (2001-present). It also noted that, despite the differences in the patterns of capital accumulation in these three different phases of internationalisation, there is not a distinctive divergence among each phase. This chapter rather argued that each phase accommodates the internationalisation of different circuits of capital. The distinguishing characteristics of the phases are each defined by one particular section of capital (commercial, money, and productive) which came to prominence in each of these phases. In this regard, this chapter argued that each phase of capital

accumulation was determined by intra-state and intra-capital alliances and contradictions within and outside the power bloc.

In relation to this, the chapter mentioned in the introduction that the concept of capital accumulation is used to highlight the way in which Turkey has integrated itself into the global system of free trade. Also, the integration of Turkish capital into the global value-production process is also determined by the uneven and combined nature of capitalist development. As the shifting patterns of capital accumulation in advanced capitalist countries have affected the patterns of capital accumulation in late-developing capitalist countries, the emergence and development of the capitalist classes in Turkey and the structure of the Turkish state have also been affected by this universal rule of capitalist development. In this thesis, the analysis of business associations in Turkey and the institutionalisation of class struggle within and outside the power bloc are assumed to operate based on these premises. In addition to this, this chapter also provided a basis for the analysis of the institutionalisation of regulatory reforms imposed by both the IFIs and the state apparatuses in each of the specific phases of capital accumulation.

To situate the emergence of business associations in Turkey, this chapter examined the late Ottoman period and the early years of the Turkish Republic, in which the first forms of business associations were founded by a rising industrial bourgeoisie. The chapter also put a particular emphasis on state policies so as to demonstrate the role of the state in the emergence and rise of business associations and capitalist classes in Turkey. It then focused on the integration of Turkish capital into global free trade relations in the aftermath of the transition to neoliberalism starting in the late 1970s. In the three phases of internationalisation of different circuits of capital (commercial, money, and productive), a new set of the relationships was constructed in both the capital accumulation process and within the state formation. Internationalisation in the commercial capital period involved a departure from an inward-looking capital accumulation model to an outward-looking model based on export promotion, and a liberalised foreign trade regime. When this stage reached its domestic limits, which resulted in the foreign currency crisis in the late 1980s, Turkey shifted to money capital-led internationalisation between 1989 and 2001. In this phase, state control

over capital flows was lifted and restrictions on establishing private banks were removed, leading to changes in the class composition of the Turkish capitalist classes. This shift provided a conducive atmosphere for the emergence of MUSIAD. This also helped some fractions of capital to grow faster, leading to the emergence of the bigger holding groups among the TUSIAD members. When this pattern of capital accumulation became unsustainable because the appropriation of surplus value was not realised in production, and because of the favouritism in finance sector which resulted in 2001 banking crisis, Turkey shifted its mode of capital accumulation towards a productive capital-based approach.

The third phase of internationalisation coincides with the AKP's coming to power at the beginning of the 2000s, and this internationalisation occurred in the production sphere while the previous ones were realised in circulation sphere. This was essential since the competitive power of the Turkish firms were slower than its global counterparts, and the AKP has established itself as a hegemonic power which unifies the conflicting interests of the different fractions of Turkish capital. The internationalisation of productive capital has, therefore, generated pressure to expand into new markets in this period. This period also witnessed the emergence of TUSKON as a different fraction among business associations in Turkey, as is going to be explained in more detail in Chapter VII. As a result of pressure to find investment links, the AKP has developed its foreign economic relations with the neighbouring countries in the Middle East, and post-Soviet countries in Central Asia, with the purpose of internalising global free trade relations within the Turkish social formation. This has resulted in a dramatic increase in Turkish foreign trade volume and diversification in foreign trade partners. In addition to this, this period also witnessed a dramatic increase in FDI. The internationalisation of Turkish productive capital gained momentum through FTAs and High-level Strategic Cooperation Council Meetings. In accordance with these developments, the member firms of TUSIAD and MUSIAD have shifted their base of production into low-wage countries and started to specialise in high value-added sectors in order to extract more relative and abstract surplus value.

This period also witnessed a transformation in the role and the structure of the state. The reforms in the banking sector, and transformation of the executive branches of the state in the late 2000s, aimed at eliminating the contradictions within the state structure and patterns of capital accumulation so as to put neoliberal policies into practice. These reforms and changes in the AKP era have not only altered the balance of power in the power bloc but have also had a significant impact on the intra-capital relations reflected within the different business associations. The following chapters examine these relationships in detail.

5. Chapter V: TUSIAD: The Pylon of Free Trade and the Framing of State-Capital Relations

5.1. Introduction

Chapter IV examined the historical conditions in which business associations in Turkey have emerged and flourished. It traced the process of the transformation in the social relations of production and the dialectical relationship between business associations and the state apparatuses in general. It also provided a framework through which to analyse the shifting patterns of state-capital relations by putting an emphasis on the complex nature of free trade relations.

As a response to the research questions of this thesis, this chapter, firstly, examines the emergence of TUSIAD within the context of the historical development of capitalism in Turkey. The chapter argues that TUSIAD is the primary agent engaged in carrying out the free trade relations through its dialectical relationship with the state. It explores class and power relations to map out the role of TUSIAD in the social relations of production in Turkey in response to the first sub-question of the thesis which explores the class positions of TUSIAD-affiliated firms. By doing this, it places an emphasis on the different forms of capital accumulation, and different forms of global relations of production which are at the centre of the reproduction of TUSIAD-affiliated firms in different periods. In accordance with the criticisms made in Chapter I, this analysis challenges mainstream categorisations which fail to recognise the significance of the social relations of production in their examinations of TUSIAD. Secondly, the chapter uncovers the dialectical relationship between the state and TUSIAD throughout the different stages of internationalisation of capital in response to the second sub-question of the thesis which explores the relationship between the state and TUSIAD. It unravels the complex relationship between the state and TUSIAD during the AKP period. In the same way, it reveals the contradictory nature of power and class relations within the power bloc. Thirdly, the chapter investigates the extent to which TUSIAD integrates into transnational relations of production, and it also examines the position of TUSIAD in global free trade relations in response to the third sub-question of the thesis. Also, it examines the extent to which TUSIAD internalises

the patterns of global free trade relations. The chapter concludes with an argument that the dominant fraction within TUSIAD represents transnational capital fractions which engage in production across borders and have plants outside the country, but TUSIAD also represents internationally oriented capital groups which produce in Turkey for export. This means TUSIAD does not only compose of large companies which operate in different countries, but also companies which only produce in Turkey.

5.2. The Establishment of TUSIAD

As highlighted in Chapter IV, the representation of business actors in the state was limited to the Chambers of Commerce and Industry until the first significant business association, TUSIAD, was established in 1971 (Buğra, 1994:237). Until this time, the interaction between the chambers and government was very limited. The first examples of business associations were established under the initiative of a few big capital groups in the 1970s. The establishment of TUSIAD coincides with an epoch of rapid social and economic change, and of a large-scale restructuring of modes of capital accumulation at a time when Turkish capital was integrating into global relations of free trade. My analysis of TUSIAD, therefore, explores the place of TUSIAD in global free trade and its relationship with the state and with other business associations.

TUSIAD was established on 2 April 1971 through a protocol signed by big capital groups operating mostly in Istanbul and Izmir. The founding members of TUSIAD were Vehbi Koç (KOÇ Holding), Selçuk Yaşar (Yaşar Holding), Feyyaz Berker (TEKFEN Corporation), Hikmet Erenyol (Elektrometal Industrial Corporation), Nejat F. Eczacıbaşı (Eczacıbaşı Holding), Raşit Özsaruhan (METAŞ Corporation) Melih Özakat (Otomobilcilik Corporation), Osman Boyner (Altinyıldız Mensucat Company), Sakıp Sabancı (SABANCI Holding), Ahmet Sapmaz (Güney Industry Company), İbrahim Bodur (Çanakkale Seramik Company), and Muzaffer Gazioğlu (Elyafli Çimento Industry Company) (TUSIAD, 2017a). These are the largest companies in Turkey, which have plants elsewhere in the international market, and thus represent the transnational fraction of Turkish capital which engages in trading industrial goods, including companies whose activities in industry range from metallurgy to steel.

Today, TUSIAD has eight representative offices in Istanbul, Ankara, Washington, Brussels, Berlin, London, Paris and Beijing. It represents 4000 business companies which between them account for 50% of the value added in Turkey; 80% of Turkey's total foreign trade; more than 50% of the non-agricultural, non-governmental workforce; and 80% of corporate tax revenue (TUSIAD, 2017a). The dominant groups in TUSIAD are KOÇ, SABANCI, ANADOLU, ECZACIBASI, BOYNER, OYAK, DOGUS, DOĞAN, DINCKOK, ENKA and TEKFEN.

5.2.1. Historical Development of TUSIAD

Most of the business groups in TUSIAD, such as ECZACIBASI, BORUSAN, YAŞAR, and ANADOLU, gradually increased their economic presence and constituted their base for capital accumulation during the inward-oriented accumulation period from the 1950s onwards (Colpan, 2010: 489). As demonstrated in the previous chapter, the industrial bourgeoisie in Turkey had completed the process of internal accumulation of capital in its different circuits and were ready to expand internationally (Bekmen, 2014:50). There were two paths available to TUSIAD-affiliated companies in the late 1970s. The first was to maintain an inward-oriented capital accumulation model, and the second was to shift towards export-based internationalisation which would provide them with state protection in infant sectors, but also an opportunity to integrate into the international market. TUSIAD chose the second way as it would ease the fragility of productive capital in the early years of internationalisation (Öztürk, 2011: 124-25).

As explained in Chapter IV, TUSIAD-affiliated companies established their domination inside Turkish capitalism via partnership agreements, joint ventures and licence agreements with multinational firms. In this period, the largest members of TUSIAD completed their inward-oriented capital accumulation processes, which paved the way for integration into the global relations of free trade in the post-1980 period. Their material presence in industrial production and the finance sector was also solidified in this period (Sönmez, 2010: 27). According to Zafer Yavan, General Secretary of TUSIAD between 2009 and 2016,

State subsidies through tariffs and import quotas in the ISI period have allowed us to accumulate our capital more rapidly, and to increase the level

of specialisation. To be honest, we are always in favour of the free market and competition, but there is this reality that the trade walls established by the state in the 1970s have increased the import of capital goods and investment opportunities for us. When Turkish foreign trade became liberalised in the 1980s, the needs of the international market were satisfied easily (Interview 1, 18 Aug 2016).

As argued in Chapter IV, the labour movement in Turkey had its heyday in the 1970s with the increased number of strikes and a high unionisation rate. The regime had a labour problem on its hands, which had to be overcome. To ensure the transition to a new mode of capital accumulation, Vehbi Koç, the owner of KOÇ Holding, penned a letter to the president Kenan Evren after the military coup in 1980. He politely presented his demands and cautions to the new president. According to Koç, the main thing which military government should do was to create a secure environment for big capital owners by suppressing labour militancy, and as soon as the safe environment is created the military regime should step back and allow free trade (SOL, 16 Sep 2011). The demand of Vehbi Koç and the way in which the letter was penned demonstrate the establishment of an alliance between the military government and TUSIAD within the power bloc.

The shift in the patterns of capital accumulation was the material basis of the military intervention as a change in governance was essential to create a new hegemonic project. As implied in Chapter II, it was now essential for the leading capital groups to move from the domestic production to global production (Bryan, 2007: 272). TUSIAD, therefore, welcomed the fresh start after the 1980 military coup because the process of capital accumulation was in crisis. Towards the end of the 1970s, Turkish capital represented by TUSIAD was on the eve of international integration into the global free trade system. This military coup, therefore, provided the ground on which a new power bloc was established. However, there were some contradictions between TUSIAD and ANAP (Anavatan Partisi, Motherland Party), which held power between 1983 and 1991. More precisely, Ozal did not fully satisfy the demands of TUSIAD. For instance, TUSIAD criticised him for not introducing immediate reforms in foreign trade, and not making substantial changes to state subsidies (Akçay, 2007:

64). As the later chapters will discuss, the emergence of MUSIAD and TUSKON also characterised this period, meaning that TUSIAD lost its exclusive position as representative of large capital.

As touched upon in Chapter IV, Turkey experienced the internationalisation of money capital in the 1990s, which were an era of fragmentation of capital in both national and international spaces. In this period, a lot of social space and many formerly state-controlled sectors were commodified, such as fertiliser production, agricultural pesticides, and agricultural machines. This was a consequence of the expansion of the global free trade agenda to agriculture in the aftermath of the GATT Uruguay Round in the 1990s. At the same time, the living conditions of ordinary people in Turkey experienced a radical shift in the 1980s and 1990s due to urbanisation. This created new demands based on new needs, such as toilet paper, TV and radio, white goods, and automobiles. The fragmentation of capital also created a new sector of accumulation based on shopping malls and supermarkets. These new areas, along with health, sport, education and art, were captured by the TUSIAD coalition of companies (Öztürk, 2011:167).

In the time of internationalisation of productive capital, TUSIAD launched its representative branches in Brussels in 1996, Berlin in 2003, and Paris in 2004. The motivation behind opening a Brussels office was to set up lobbying activities on behalf of Turkish firms which were ready to do business with European companies (Güzelsarı & Aydın, 2010: 63). TUSIAD also did not ignore economic relations with the trans-Atlantic countries. The representative office in Washington was opened in 1998, with the aim of improving Turkish-American business relations, and establishing networks with academia, international organisations, and the US government. Sometime later, a representative office in Beijing was activated in 2007 to improve the relationship between private sectors in Turkey and Asia-Pacific countries, during a period in which the Chinese economy was undergoing rapid growth. TUSIAD has also organised annual conferences on China since 2012, which are called “Çin’i anlamak & Çin ile iş Yapmak” (Understanding China & Doing Business with China). The focus of these conferences is on understanding contemporary developments in China’s manufacturing and industry which may provide investment

opportunities for Turkish enterprises (TUSIAD, 16 Dec 2016). With a particular focus and motivation, TUSIAD established 'TUSIAD International' in 2001. The aim of this unit is to improve the competitive power of Turkish firms and contribute to the improvement of bilateral foreign trade and investment relations with foreign countries. To this end, TUSIAD aims at increasing Turkish exports, encourages FDI to Turkey, and helps member companies in making international investments (Boyner, 2012).

5.2.2. Class and Power Relations and the Emergence of TUSIAD

The class relations within both political and civil society prevalent in all domains in the context of the Turkish social formation in the 1970s paved the way for the establishment of TUSIAD. The primary motivation behind establishing TUSIAD were the inefficiency of TOBB¹² in terms of representing the interests of big family-based holding groups, the class struggle between capital and labour in the late 1960s, and the need for an association with a remit to encourage the government to join the European Union (Gulfidan, 1993: 26-39). As highlighted in Chapter IV, the largest and the most active association which represented the interests of business prior to 1971 was TOBB, which is a semi-public association of companies in Turkey in which membership is obligatory. The primary functions of TOBB are regulating the relations of production and promoting dialogue between the private sector and the governments (Sönmez, 2010: 65). As a result, TOBB lacked the ability to formulate hegemonic projects in contexts of divisions among member companies. It was the arena of class struggle between different fractions of capital until TUSIAD was established in 1971 (Tuna, 2009: 304).

The need for a new organisation only became apparent once cleavages emerged among different capitalist class fractions. As also mentioned in Chapter IV, the larger fractions of Turkish bourgeoisie created their own base for investment in industry in the 1960s. However, they did not establish their hegemony within the organisational structure of TOBB. Consequently, intra-capital conflict within the chambers emerged

¹²TOBB (Türkiye Odalar ve Borsalar Birliği, Union of Chambers and Commerce) is one of the largest business organisation in Turkey. This organisation is very significant in terms of its role in the making of the hegemonic project as well as shaping the foreign trade patterns of Turkish companies. However, it is beyond the scope of this thesis. For further information see Tuna (2009).

because of the tensions between big capital and SMEs. The founder members of TUSIAD argued that the decision-making process of TOBB was an obstacle to their development. At the same time, Necmettin Erbakan, who was the founder of the Welfare Party (Refah Partisi) and a prominent figure among the political Islamists, won the Union of Chambers election. His election campaign mobilised SMEs within the chambers which felt alienated by the chamber's leadership by larger fractions of capital (Buğra, 1998:525).

More precisely, the clashing interests within TOBB were obstacles to the pursuit of a profound deepening of capital accumulation to which TUSIAD was sympathetic. Most of the members of TOBB were commercial bourgeoisie and, in line with their interests, they encouraged the government to give more incentives to exporting companies as well as to encourage industrial policies, in contrast to which was demanded by TUSIAD (Akçay, 2007: 56). In other words, the fractions within TOBB based on smaller capitalists were in favour of the maintenance of ISI policies, and protectionism in foreign trade (Alkan, 1998). On the other hand, larger capitalist fractions in TOBB were against protectionism in international trade and were ready to expand internationally (Bianchi, 1984: 269). In this period, TOBB supported the commercial bourgeoisie, while larger capitalists specialising in the production of industrial goods were neglected under the umbrella of TOBB (Öztürk, 2011:113). In this endeavour, because of the monopolisation and hegemony of finance capital, and the underrepresentation of the interests of big capital within TOBB, TUSIAD was established by big capital.

As mentioned in Chapter II, there are class struggles between national units of capital in the process of creating more surplus value. This requires expanding production globally (Marx & Engels, 1894: PT III). Accordingly, there is a need for cooperation between the state and capital, as class contradictions and compromises arise which are internal to the state (Poulantzas [1978] 2000). The greater consideration of the military government after the 1980 military coup was to reassure both global financial circles and the fractions organised within TUSIAD that the government are going to remain loyal to the requirements of the structural adjustment programmes inherited from the civilian government. As the capital fractions are organically linked

to the establishment of state policy favouring the bloc in power (Poulantzas [1978]2000: 132), TUSIAD became an active partner in imparting this message to the world, at a time in which the military regime banned the activities of all other business associations except TUSIAD. In point of fact, TUSIAD became an active part of the new hegemonic strategy after the 1980 military coup (Yalman, 2002: 39).

5.3. The Social Relations of Production and TUSIAD

5.3.1. The Class Characteristics of TUSIAD

As mentioned in Chapter III, this study treats capital and class in terms of the relationship of forces and classes (Jessop, 1985: 157). As also explained in Chapter III, the internationalisation of capital eroded the old concept of the national bourgeoisie, which has created a new type of interior (globally-oriented national-level) bourgeoisie, as Poulantzas argues in the European case (Martin, 2008:19).

While having its peculiarities and specificities, TUSIAD has become a new type of interior bourgeoisie which is not entirely internal or external to the social relations of production in Turkey, but located at the intersection of national and international production. As a result, TUSIAD represents both internationally oriented capital which produces for export and a transnational fraction of Turkish capital which have production networks across national borders. Despite the differences between the different capital groups within TUSIAD, the dominant group within TUSIAD engages in transnational relations of production in various countries, and their system of production is tightly integrated into global relations of capital accumulation. This fraction of capital represents specific interests of a particular fraction of the capitalist class in Turkey, which is socio-economically dominant in the current social formation in Turkey, and it is the *hegemonic fraction* of the bourgeoisie in Turkey. As an illustration, although MUSIAD and TUSKON had 70 companies in the 500 biggest companies list compiled by Istanbul Chambers of Industry in 2009, the combined share of these 70 companies and thus of the two associations was 7.48%, which was less than a single company, TUPRAS, owned by KOÇ Holding whose share was 7.56%. In total, KOÇ Holding owns five of the ten largest companies in the list with 15.8% (Oztürk, 2015:117), and KOÇ Holding is just one of the large companies composing

TUSIAD. The next sections examine the integration of TUSIAD into the global relations of production in detail.

5.3.2. Patterns of Capital Accumulation: Mergers and Acquisitions

The patterns and strategies of capital accumulation of TUSIAD members have always changed with regards to the shifting patterns of the global process of capital accumulation. The dominant strategies of capital accumulation were mainly acquisitions of small firms, establishment or takeover of private banks, speculation on the stock market, and engaging in foreign trade. The first type of accumulation of capital was to capture the holdings of small capital groups in the years of stagflation in the 1980s. For instance, ENKA holding, one of the biggest groups in TUSIAD, obtained KELEBEK Furniture Furnishing, Burtrak Tractor, CETAS Steel Industry, Elmet Electro Metal, Izoyun, MESAS, and PARSAN in this period. SABANCI group captured the share of SAPMAZ group in AKBANK, OLMUK and AKKARDAN from Transturk. YAŞAR Group captured Viking Paper, Bayrakli Paint, and Dewiluks Paint. KOÇ Holding captured BESAN, and CUKUROVA Group captured Kaplamin Packaging and BMC (Öztürk, 2011:138). Anadolu Group took over KOMILI and Sezai Omer Madra brands which were two of largest vegetable oil producer in Turkey (Bayram, 2016:54-56).

Another dominant form of capital accumulation was banking. In the period in which capital controls and restrictions on private banking were relaxed, this fraction of industrial capital created and controlled its own banks, which advanced the rhythm of the concentration and centralisation of capital under a single roof. Hence, this fraction of capital dominated both productive and commercial capital (Öztürk, 2011: 139; Ercan, 2002: 21-39). This method of capital accumulation is also maintained through arbitrage profits, which are based on borrowing cheap credits from abroad and selling a large amount of government bonds at a profit (Özden & Akça & Bekmen, 2017:191). For instance, KOÇ Holding was the owner of *KOÇBANK* which merged with *YAPI KREDİ Bank* when it was purchased in 2005, SABANCI Holding owned *AKBANK*, CUKUROVA Holding owned *Pamukbank* which was confiscated by the TMSF (Saving Deposit Insurance Fund of Turkey) in 2002, OYAK Group owned *OYAK Bank* and *Sumerbank*, Doğan Group owned *Alternative Bank* which was sold to ANADOLU Group in 1996, DOGUS Group owned *Imar Bankası* between 1975 and 1985, and

Garanti Bankası in 1983, ENKA Group owned *Chemical Mitsui Bank* between 1985 and 1992, TEKFEN Group held the shares of *Arap-Türk Bankası* between 1990 and 2006, and *Bank Express* between 1994 and 1997, ZORLU Group owned *Denizbank* between 1997 and 2006, and ANADOLU group is the owner of *Alternative Bank* since 1996. This shows that big capital, based initially in production, concentrated on the accumulation of money capital in the 1980s-90s. Some fractions of capital organised within TUSIAD have developed unevenly at the expense of others, which has shifted the power relations among capital fractions, and the powers of some smaller fractions with influence in TOBB and the pre-1980 power bloc were undermined in favour of the larger capital fractions represented by TUSIAD.

The increased amount of state subsidies for internationally active trading firms were another form of capital accumulation. Consistently with the claims of Poulantzas, this demonstrates that the state internally engages in relations of production through different mechanisms. To this purpose, export promotions issued by the government exceeded the amount of the tax the firms paid (Öztürk, 2011:139), transferring rents from the state to corporations on condition the latter engage in export-focused activity. This policy resulted in a large increase in the volume of trade in industrial products compared to previous years. The share of industrial goods in Turkish international trade was 36% in 1986, but reached 60% in 1982, 80% in 1990, and 90% in 2000 (Öztürk, 2011:140). For the bigger fractions in TUSIAD (particularly KOÇ and SABANCI), the stock market has also been a good place to accumulate capital or, rather, to centralise their existing capital in global capital circuits. The motivation behind investing in the stock market was to establish hegemony in the market. For instance, the biggest shareholders in Istanbul Stock Exchange (IMKB) were KOÇ, SABANCI and ISBANK with 43% of holdings in 1988, 45% in 1991, and 34% in 1997 (Yildiz, 1999: 75-8). In 2001, the top ten shareholders in the IMKB (of whom seven belonged to TUSIAD) had 64% of the total capital. The stock exchange market was also used to provide financial funds to industrial firms within the same holding companies. It would be fair to say that TUSIAD members have dominated both the banking sector and the stock exchange market during the 1990s and 2000s, which have given TUSIAD a near-monopoly on foreign trade. Overall, these mergers, and

the resultant concentration and centralisation of capital, increased the interdependence between the larger capital groups as well as the contradictions between them. This means the contradictions between larger capitals were internalised in a power bloc within which these capitals were also mutually enmeshed.

5.3.3. Monopoly of TUSIAD in Foreign Trade

The restructuring of the social relations of production since the 2001 banking crisis led to changes in the composition of capital within the bigger fraction of Turkish capital. This means that, despite the continued centrality of these companies, there have nonetheless been shifts in the way they operate. The holding companies who were allowed to own private banks after the banking reforms in the post-2001 crisis era were also the ones who were able to compete in the global market (Gültekin-karakaş, 2009: 204). The government supported these capital groups at the expense of others which have been eliminated in the post-crisis era. Verifying Poulantzas, the state policy in this period was a result of the class contradictions between different capital fractions. This means, the state has chosen winners among different fractions of capital. In this sense, the post-crisis period is a new era in which the domestic composition of Turkish capital within the bigger fraction has been transformed and restructured. This also changed the inter-class relations within the power bloc, as the weaker and smaller companies in the large-scale fraction of Turkish capital have been eliminated. This helped the larger fractions in TUSIAD to integrate into the global value chain, which resulted in a monopoly in some sectors.

As highlighted in Chapter III, states seeking to promote infant industries provide an opportunity to some fractions of capital through state subsidies and protection from imports, which will help them to compete in global free trade system (Kiely, 1998:12; Poulantzas, [1978]2000:17). In this sense, the monopoly of TUSIAD affiliates on foreign trade was achieved through legal regulations. The first step was introduced in 1984 to create a legal environment and organisational basis for firms operating internationally. This was a new company model which was called “Foreign Trade Companies” and aimed at encouraging big capital to engage in free trade. It was expected to increase the volume of foreign trade through providing significant state

incentives, such as tax refunds, additional promotions, and a monopoly on trading with the Soviet bloc countries (Erkan, 1994:85-90). These trading companies reached more than 50 in number in the 1980s, and were asked to trade in industrial and mining products. Consequently, more than 50% of Turkish foreign trade were carried out by these firms which did not only export their products but also exported the products of other Turkish companies. For instance, TEKFEN Foreign Trade Company exported the products of more than 200 companies to more than 50 different countries (Altun, 2006: 182). In short, by creating these trading companies, the government has encouraged the monopolisation of foreign trade in the hands of a few large firms, and these companies have gained a great deal of power to control the economy. Most of these enterprises, in turn, are members of TUSIAD.

The largest trading companies are RAM Foreign Trade (KOÇ Group), EXSA (SABANCI Group), CUKUROVA Foreign Trade (CUKUROVA Group), and IMEKS (DOGUS Group). With their monopoly on foreign trade and domination of the financial sector, the biggest fractions in the TUSIAD have created an ongoing and apparently impermeable hegemony over the rest of the Turkish capitalist classes. In addition to this, TUSIAD members have also launched foreign trade companies in foreign countries. For instance, KOFISA Trading (KOÇ) was started with an Italian partnership, SABANCI started EXSA Handels GmbH in Germany and CUKUROVA group began Equipment and Parts Export in the US (Öztürk, 2011:142). This trading company system still exists in Turkey, although they no longer have a monopoly or such a high share of exports as in the 2000s. There are 50 companies, which still have Foreign Trade Capital Company status. KOÇ Group owns five of these businesses, and SABANCI Group owns two of them. These companies controlled 30% of Turkish total exports in 2008 (Öztürk, 2011:153). Based on the lists published by Fortune Turkey, the tables below list the top exporters in Turkey in 2010 and 2016. As indicated in the tables below, TUSIAD has an uncontested hegemony among Turkish exporters, and its members have benefited disproportionately from the exponential growth in Turkish exports.

Table 5: Top Exporters in 2010

Rank	Company Name	Controlling Ownership	Business Association Affiliation	Export (Billion TL)
1.	Turkish Airlines	State	-	5.3
2.	ARÇELİK	KOÇ Group	TUSIAD	3.8
3.	VESTEL	ZORLU Group	TUSIAD	3.6
4.	FORD Automotive	KOÇ Group	TUSIAD	3.1
5.	TOFAS TURK AUTOMOTIVE	KOÇ Group	TUSIAD	3
6.	ENKA INSAAT	ENKA Group	TUSIAD	3
7.	TUPRAS	KOÇ Group	TUSIAD	3
8.	ANADOLU EFES	ANADOLU Group	TUSIAD	1.6
9.	İÇDAŞ	İÇDAŞ Holding	MUSIAD	1.4
10	Petrol Ofisi*	DOĞAN Holding	TUSIAD	1.4

SOURCE: Author's compilation based on Fortune Turkey, 2010

<http://www.fortuneturkey.com/Fortune500/2010>.

Table 6: Top Exporters in 2016

Rank	Company Name	Controlling Ownership	Business Association Affiliation	Export (Billion TL)
1.	Turkish Airlines	State	-	24.4
2.	FORD Automotive	KOÇ Group	TUSIAD	10.7
3.	ARÇELİK	KOÇ Group	TUSIAD	9.7
4.	POLIMEKS	POLIMEKS	TUSIAD	8.6
5.	TUPRAS	KOÇ Group	TUSIAD	7.8
6.	VESTEL	ZORLU Group	TUSIAD	6.3
7.	TOFAS TURK Automotive	KOÇ Group	TUSIAD	5.7
8.	ANADOLU EFES	ANADOLU Group	TUSIAD	5.4
9.	TURKISH OPET AVIATION FUELS	Turkish Airlines & KOÇ Group	TUSIAD	3.9
10.	ENKA INSAAT	ENKA Group	TUSIAD	3.7

SOURCE: Author's compilation based on Fortune Turkey, 2016

<http://www.fortuneturkey.com/Fortune500/2016>.

Overall, TUSIAD represents mainly transnational fractions of the Turkish bourgeoisie, which have production networks elsewhere in the international market. These

* This company was sold to OMV Group in 2010, which is an Australian company.

companies mainly operate in the finance, technology and energy sectors. The largest companies within TUSIAD, such as KOÇ, SABANCI, ANADOLU and DOGUS, have adopted new policies in this period, focused on concentration and centralisation. Concentration activities mean they have focused on certain sectors such as energy, technology and finance, and stopped their operations in secondary sectors, such as textiles (SABANCI), retail (DOGUS, TEKFEN, KOÇ), food (DOGUS, TEKFEN), and banking (Doğan and TEKFEN). This was due to the increasing trend towards monopoly in some sectors, which decreased profitability in secondary sectors (Ercan & Oğuz, 2015: 120-21). Another reason was that the potential for internationalisation in these areas was relatively small. On the other hand, centralization policies mean gathering the firms operating in related areas under a single roof. For instance, KOÇ group gathered its companies operating in the food sector under the umbrella of the TAT Corporation, and automotive marketing under the OTOKOÇ and BIRMOT (Oztürk, 2011: 179). The transnational activities of members firms and the sectors in which they mainly operate will be detailed in later sections.

5.4. The Relationship between the State and TUSIAD

As expressed in Chapter III, one of the main objectives of this study is to analyse the dialectical relationship between the state and business associations. It is important to note that the relationship between the state and TUSIAD is constructed in specific circumstances shaped by the capitalist mode of production. In relation to this, the relations between the AKP and TUSIAD cannot only be examined by looking at the personal ties between individual capitalists and state authorities. Based on these premises, I will place particular emphasis on class struggles between different fractions of capital, which (re)produce hegemony within and outside the power bloc. This will also help to uncover the complex relations within the power bloc, as referred to in Chapter III, which is represented through internal relations between each of its parts. “Fractions of capital”, “hegemony” and “power bloc”, are the most appropriate concepts to analyse the relations between the AKP and TUSIAD from a Poulantzian framework in response to the second sub-question of this thesis. The liberal and institutionalist views highlighted in Chapter III fails to capture the peculiarity of the relations between TUSIAD and the state as they treat these agencies as separate

entities, and treat TUSIAD as a monolithic bloc without cracks. Contrary to these analyses, this study argues that there is always a clash of interests between TUSIAD and other business associations and also among fractions of capital within TUSIAD. Chapter VII examines these contradictions in detail. As explained in Chapter III, the state is a material condensation of class struggles and a social relation. Without disregarding the dialectical relationship between the state and business associations, I will here focus on the power struggle as well as the mechanisms employed to mediate the contradictions within the power bloc.

When we examine power relations since the establishment of TUSIAD in 1971, it is wise to say that TUSIAD has been a hegemonic class not only in terms of its organisational capacity but also its structural power in shaping and reconfiguring the social relations of production. However, TUSIAD's real presence in the power bloc crystallised in the 2000s in which the internationalisation of productive capital gained considerable momentum. This period also coincides with the rise of the AKP. Following Poulantzas, the AKP's coming to power can be analysed as a response to the hegemonic crisis within the power bloc. There was a need for a force which would mediate contradictions within the power bloc while managing to re-establish hegemony over civil society. In this sense, the complex relationship between the AKP and TUSIAD not only reconfigured power relations in political society but also caused the restructuring of the state in the aftermath of the banking crisis in 2001 (Ercan & Gültekin-karakaş & Yilmaz, 2016:164). The success of the AKP in establishing the unity of the capitalist classes was dependent on its ability to make a compromise with the capital fractions within TUSIAD, rather than building alliances with the smaller fractions of capital organised within MUSIAD and TUSKON, as the thesis will explain later (Akça & Özden, 09 Nov 2015).

5.4.1. TUSIAD and the Class Struggle within the Power Bloc

Poulantzas argues that it is through the mediating capacity of the state that other fractions of capital can overrule the dominant fractions if they attempt to promote their specific interests. This then results in a power struggle within the power bloc (Poulantzas, [1968]1978: 255). The emerging struggles between TUSIAD and the state confirm this argument of Poulantzas. TUSIAD employs a variety of tools and strategies

to maintain its domination both within state structures and over other capital fractions. The constitutive relations between these fractions circulate through annual reports, statistics, research forums, press conferences, and newspaper advertisements, which are the most well-known mechanisms that TUSIAD uses in its struggle for power. In particular, general meetings with government officials, like the Prime Minister, Minister of Foreign Trade, and Minister of Finance, demonstrate TUSIAD's engagement with the decision-making process, which crystallises the class relations within the power bloc.

This power struggle has taken different forms at different times with regards to the patterns of capital accumulation, and the changing form of the state. It is this which allows this chapter to grasp the essential relationship between the state and TUSIAD, as this provides an opportunity to interpret the materiality of power. For instance, as mentioned in Chapter IV, the inwardly oriented capital accumulation reached its domestic limits in the late 1970s. TUSIAD, in this sense, expected the current state authorities to find new markets, or in other words, to integrate Turkish economy into the global circuit of capital. As the state became internationalised in the aftermath of the transition to neoliberalism in the 1980s, the state was expected to play a new economic role in the reproduction of the world market. TUSIAD's main argument in the late 1970s was that the government did not take the necessary measures to overcome the over-accumulation crisis and did not encourage export firms to integrate into global free trade relations (Güzelsarı & Aydın, 2010: 54). To influence the government, TUSIAD published four full-page manifestos in four national newspapers between May and June 1979. The titles of the memorandums were "The Realistic Way Out", "The Nation is Waiting", "Sharing Scarcity or Creating Prosperity" and "Inflation: The Enemy of Prosperity and Freedom" (TUSIAD. 1979). In these memorandums, TUSIAD asked the government to encourage free trade, to integrate into the neoliberal market system, to reconfigure tax reforms and to take fiscal measures. These memorandums played a crucial role in Bülent Ecevit's resignation as Prime Minister. This campaign served as the primary indicator that TUSIAD wanted to change the economic policies of the governments (Oğuz, 2008: 100).

The reflection of the class struggle within the power bloc changed in the 2000s. This is to say that the construction of every moment of the hegemony has been professionalised through the research forums established in partnership with top universities in Turkey. For instance, TUSIAD Competitiveness Forum with Sabancı University, TUSIAD Foreign Policy Forum with Boğaziçi (Bosporus) University, TUSIAD Information Society Forum with Bilkent University, and TUSIAD Economic Research Forum with Koç University were established for this purpose. In addition to this, TUSIAD organises PARKUR (*Parlamento ve Kamu Kurumları ile İlişkiler*, Relations with the Parliament and Public Institutions) meetings with deputy chairs of political parties in the parliament, and with ministers and senior bureaucrats. In these meetings, TUSIAD proposes its resolutions about many critical things relating to the social relations of production. For instance, in the session held on 22 June 2016, legislative reforms regarding tax payments, labour market regulations, industrial property rights, computerization of manufacturing (4.0 industry), and relations with the EU were brought into question (TUSIAD, 22 June 2016). These are the tactics and devices which TUSIAD uses to varying degrees in its struggle for power.

Besides the mechanisms adopted to influence the patterns of capital accumulation, there are several other struggles that affect state structuring. The structural transformation of the Turkish state in the post-2001 period, as mentioned in Chapter IV, was also a response to the demands presented by TUSIAD (TUSIAD, 2001:17). A report published in 2001 stated that to maintain the sustainability of the Turkish economy, government intervention should remain minimal. However, this does not mean that TUSIAD was in favour of a neo-classical minimalist state as defined in Chapter III. What they call for is a state which regulates the market in favour of global free trade principles (TUSIAD & OECD, 2003: 27). In another report published in 2003, TUSIAD expressed its appreciation to the government since the government took the initiative to accelerate structural reforms of the economy (TUSIAD, 2003: 17). In this sense, TUSIAD supports an institutionalist understanding of the state as presented in Chapter III (Evans, 1995:10). TUSIAD's former president Cansen Basaran Symes stated that:

The political decision process must be in coordination with the principles of market economy, and the rule of law. There must be some rules regulating a free market system, having a free market does not mean removing all the regulations. And the decisions relating to market conditions must be participatory (Symes, 6 June 2016).

For TUSIAD, state intervention in the market is a given. Therefore the central question is not “how much” but “what kind” and “when” (TUSIAD, 2002: 19). TUSIAD is in favour of consensus which is seen as necessary for creating a social and economic environment in which business people have an uncontested status (Buğra, 1994:248).

5.4.2. The Internal Relations between TUSIAD and the AKP

An analysis that suggests the existence of contradictory relations between the AKP and TUSIAD can be formulated on the basis of the formation of the relations within the power bloc, and the changing patterns of the power dynamics between capital fractions. It is also crucial to bear in mind that, as stated in Chapter III, the capitalist state engages in social relations of production by restructuring the activities of capitalists, at the expense of dominated classes, to ensure better market discipline (Fine & Saad-Filho, 2004: 172). This is to say that the essence and appearance of internal relations within the state structure matter for the systematic analysis of these complex relationships. As noted in Chapter III, most theories of imperialism fail to recognise the internal contradictions and antagonisms between competing fractions within the power bloc. Contrary to the totalising analysis of theories of imperialism and to instrumentalist understandings of the state, the complex relations between TUSIAD and the state must be grasped inclusively, as determined by intra-class and inter-class struggles, conflicts, compromises and contradictions within the power bloc. In this sense, it is explained how a specific policy of the state works in favour of the dominant classes and how the state seeks to resolve or pacify the internal contradictions within the power bloc.

Given the conditions which changed the balance of forces within the power bloc, it is fair to say that the alliance between the AKP and TUSIAD was solid in the early 2000s. The material basis of these strong relations was the AKP’s ability to carry out a series of complex manoeuvres which helped the AKP to maintain its relative autonomy and

organise its hegemony in the power bloc. Constructing relative autonomy was necessary for the Turkish state, as it was not supposed to act against the collective interests of the capitalist classes. The reform programmes implemented after the 2001 banking crisis pushed the Turkish state to become more important and influential, which reproduced the space of the state and capital. For this purpose, the Ministers of the Economy (such as Ali Babacan, and Mehmet Şimşek) always represented the interests of big capital on global platforms, and a coalition between TUSIAD and the government was established in the sense of controlling the administration of economy (Akçay, 31 Oct 2016). Specific state apparatuses focusing mostly on foreign trade, such as the Ministry of the Economy and the Ministry of Energy, successfully dealt with the demands of different capital fractions (Akçay, 12 Apr 2016).

There was a consensus within the power bloc in AKP's early years in power. The reforms proposed by the IMF were fully implemented by the AKP government, which therefore, reoriented the role of the state in social relations of production (Gültekin-karakaş, 2009: 185). Also, the AKP has renewed the stand-by agreement with the IMF between 2005 and 2008, which was encouraged by TUSIAD whereas smaller fractions were against the renewal of the agreement. This is to say that the changing dynamics of the global circuits of capital, or in other words, the transnationalisation of capital has changed the internal relations between the state and capital in Turkey (Ercan & Gültekin-karakaş & Yilmaz, 2016:141). The AKP has become the hegemonic power within the power bloc which was expected to manage the contradictory interests of different capitals and reorganise the social formation around a new hegemonic project (Yaka, 2011:134). An active state was demanded to ensure the mobilisation of the active consent of the dominated classes, since the short-term and unstable coalition governments in the 1990s did not manage to establish hegemony over the dominated classes and bring dominant classes together under the hegemonic fraction. This type of state, in a Poulantzasian sense, may unite the power bloc, while dominating the working classes. Being relatively autonomous from the dominant classes, this state could play an intertwined economic role in the relations of

production, and the reproduction of the world market and capitalist social relations in the context of Turkey.

As mentioned in Chapter IV, the neoliberal economic reforms suggested after the 2001 banking crisis of Turkey were fully implemented by the AKP government as the state must represent the long-term interests of the whole bourgeoisie. This representation occurs not in a mechanical sense, “but through a relationship of forces that makes of the state a condensed expression of the ongoing class struggle” (Poulantzas [1978]2000: 130). TUSIAD, therefore, suggested some significant reforms in the banking and economic sector of Turkey, which were crucial to establish the unity of the dominant classes as well as to reconfigure the relationship between dominant and dominated classes (TUSIAD & OECD, 2003). In this sense, TUSIAD has become an active supporter of the reforms suggested by Kemal Dervis, who was the architect of the restructuring of the Turkish state in the post-crisis era. This complex relationship was improved in the sense of creating a suitable environment in the aftermath of the 2001 banking crisis, which has, therefore, formed a prevailing consensus among the power bloc. This alliance within the power bloc was reflected in the coverage provided by the largest media channels owned by most prominent members of TUSIAD (for instance, DOĞUS and DOĞAN groups), which was largely sympathetic to the AKP. This demonstrates that the state, contrary to neo-classical arguments summarised in Chapter III, is not an abstract entity external to the market. Rather, as Poulantzas argues, the class struggle within the power bloc is not static, and the state is not a neutral agent (Poulantzas [1978] 2000: 73). Hence, state power is class power, and the state and class cannot be examined separately.

A relational approach to the state is helpful in explaining the alliance between TUSIAD and the AKP, which was anchored in a win-win situation for the AKP and TUSIAD, which are the dominant fractions within the power bloc. Economic figures illustrate that TUSIAD members have experienced remarkable growth during the AKP period. For instance, the total assets of KOÇ Holding rose from \$7.3 billion to \$51.2 billion in 2007. In the same period, the total assets of SABANCI Holding increased from \$21 billion to \$43.9 billion. OYAK and its shareholding companies' assets rose from \$4.6 billion to \$19 billion. Çalık Group's total assets also grew from \$1 billion to \$3.3 billion;

and ENKA Group's total assets increased from \$1.86 billion to \$7.86 billion by 2007 (Öztürk, 2011:185).

Following from the arguments in Chapter III, the intervention of the state in the economy might be in favour of some fractions, and against others (Poulantzas [1974] 1975:71). The sale of TUPRAS to KOÇ Holdings is worth mentioning, to reveal the dialectical relationship between the AKP and TUSIAD, and how the intervention of the state has changed the power relations within the capital bloc, benefiting some fractions of capital over others. TUPRAS was a state-owned oil refinery. In 1983, four oil refineries in Turkey, which are Izmit, Izmir, Batman and Kırıkkale, were united under the corporate control of TUPRAS. This company controls most of Turkey's refining capacity and is the owner of 59% of the country's total petroleum products storage capacity. The partial privatisation of TUPRAS started in 1991, and in 2005 a consortium of KOÇ Holdings and Shell acquired 51% of the shares in the company for \$4.1 billion, a fraction of its true value. This investment has been more than paid back. The annual revenue of TUPRAS was \$16 billion in 2004, \$20 billion in 2005, and reached \$25 billion in 2011. Largely due to this purchase, KOÇ Holdings' annual revenue increased from \$18 billion in 2005 to \$34.5 billion in 2006. This increased the ranking of KOÇ Holding in the Fortune Global 500 list; it jumped from 358th to 190th in 2006. The state's sale of TUPRAS thus helped KOÇ Holding to obtain hegemony over the other dominant fractions of capital within TUSIAD.

Notwithstanding the consensus about the general strategy of capital accumulation in the AKP period, there have always been cracks and contradictions between the AKP and some fractions within TUSIAD regarding the laws regulating power relations within the power bloc, and the relations between the working classes and capital. As Poulantzas argues, the state is not a monolithic bloc, and there are always contradictions between competing fractions within the power bloc. The near-monopoly power of TUSIAD placed restrictions on the state's relative autonomy vis-a-vis the other fractions of capital within the power bloc, as it would be costly for the state to defy TUSIAD. However, the balance of power between the AKP and TUSIAD shifted in the AKP's favour in the second half of the 2000s (Mert, 2013). As noted in Chapter III, hegemony is not reducible to the relations between dominant and

dominated classes, but also involves the class struggles within the power bloc (Poulantzas [1978] 2000: 169). In Turkey in the 2000s, the dominant classes united under the hegemony of the AKP, despite their conflicting interests, since the AKP could secure and advance the interests of all fractions. The material framework for the AKP's hegemony was thoroughly grounded in its relationship to the relations of production, which provided the basis for its capacity to organise a power bloc. The issue which initially ruptured the consensus between the AKP and TUSIAD was the amendment of the Public Procurement Law (Milliyet, 15 Nov 2008). This modification of the law changed the bidding regulations so as to provide the other fractions of Turkish capital with more opportunities to gain revenue from the state tenders. Some members of MUSIAD and TUSKON have been directly favoured by these regulations. This changed the power relations within the power bloc as well as between the business associations. Chapter VII explores this in detail.

Another contradiction which surfaced in the late 2000s around the negotiations between the IMF and the AKP held after the 2008-09 global financial crisis. This world financial crisis deepened the contradictions between capital fractions within Turkey, and the AKP failed to manage the tensions between the different fractions of capital represented by TUSIAD and MUSIAD. This contradiction demonstrates beyond all doubt that the state is a material condensation of classes and class struggles reflected in the political field (Poulantzas [1978] 2000: 73). TUSIAD publicly declared its support for the renewal of the stand-by agreement with the IMF. On the other side, the SMEs represented by MUSIAD and TUSKON were against renewing the agreement as the proposed reforms by the IMF suggested cutting local expenditures, a measure which would be detrimental to their survival (Bekmen, 2014: 65). Consequently, the AKP government refused to sign a new stand-by agreement with the IMF, which created tension between the AKP and TUSIAD, and affected the power relations within the power bloc. The AKP position was viewed as populism by TUSIAD (Bulut, 2008). There was another apparent contradiction between the AKP and TUSIAD on the constitutional referendum in 2010, which demarcated the sphere of struggle and activities of different state apparatuses. This referendum led to a breaking point between the AKP and TUSIAD because it shifted the relationship of forces within the

state structure. TUSIAD was against the proposed reforms and changes in the referendum as they argued that this will increase the power of executive branches of the state at the expense of judiciary, undermining the rule of law which was part of TUSIAD's vision of a free market. The AKP, in turn, began to question the influence of TUSIAD and the power of large capitalists in Turkey. The Prime Minister Erdoğan warned TUSIAD stating that:

Those who do not take a side will be eliminated...we will not allow the bourgeoisie to establish hegemony over the country... you used to treat the previous governments as your pet but be aware that you cannot do the same to this government (Erdoğan, 18 Aug 2010).

In another speech in 2010, Erdoğan explicitly stated that:

Istanbul capital, somehow, works with us when it comes to making a profit, but they do not do the same when it comes to politics... the money is changing hands substantially, and the export volumes of Anatolian capital are growing in a serious way... maybe you began to feel uncomfortable about this, but you should not have this feeling... whether you like it or not, capital is changing hands in a serious way (Erdoğan, 11 Sep 2010).

As Poulantzas mentions, the state can intervene against the long-term interests of one fraction within the power bloc, when this is seen necessary for the realisation of its own political class interests (Poulantzas, [1968] 1978:285). Applying this analysis to the class struggle within the Turkish power bloc, it becomes possible to analyse the contradictions between the AKP and specific fractions within TUSIAD, and theorise the reconfiguration of the relationship of forces within the power-bloc. For instance, the government has imposed a \$2.5 billion tax fine on DOĞAN Group, one of the largest members of TUSIAD, because of the anti-government attitude expressed in its media channels (OSCE, 16 Sep 2009). As Poulantzas argues, the state's economic interventions are also political interventions, which means that the state has an intertwined role in both economy and politics (Poulantzas [1974]1975: 160). This tension between the AKP and DOĞAN Holding, therefore, reflected the contradictions within the power bloc, which were a result of the increased

fragmentation among capital fractions. The AKP aimed at reunifying the power bloc under its hegemony by means of taming some fractions within the power bloc, and in particular, reducing DOĞAN Group's capacity to universalise its interests (Benlisoy, 26 Jan 2017). The contradictions between the AKP and TUSIAD appeared in different ways at different times. The transfer of big media groups like ATV-SABAH is another example. The sale of these media groups to the ÇALIK Holding, whose CEO was Berat Albayrak, the son-in-law of Erdoğan and minister in the latest cabinet, led to a dispute between TUSIAD and the AKP. DOĞAN Group, which used to own almost 50% of the media groups in Turkey, wanted to take over ATV-SABAH as part of its centralisation strategy. Instead, ÇALIK Holding, which at the time was outside the TUSAID coalition, won the bid for these media groups. While the government wipes out some big groups in TUSIAD from the market, other fractions were actively supported by the government. This conflict within the power bloc has also created a divergence within TUSIAD. For instance, Arzuhan Doğan Yalçındağ, who is the daughter of Aydın Doğan, and the president of TUSIAD at that time, expressed her disappointment with the group, stating that "TUSIAD gave the impression that we are all silent together". Ali Koç, Vice Chairman of KOÇ Holding, took the podium and said that "we should lend our support to Doğan Holding, we are losing our influence as TUSIAD... We are started to be perceived as even weaker than MUSIAD" (SOL, 20 Jan 2011). Ironically, ÇALIK Holding joined TUSIAD in 2014. Another example of the contradictions in the power bloc was the sale of STAR TV and NTV media groups to the DOĞUS Group which is one of the biggest fractions in TUSIAD. Hence, the AKP's slight to DOĞAN in 2011 did not reflect a general disposition to keep the media out of the hands of TUSIAD.

The contradictions between different fractions of capital and the state can be analysed in relation to the functions of capital since the internal relations between the state and the current mode of production are determined by these internal relations within the power bloc (Ercan & Gültekin-karakaş & Yilmaz, 2016: 147). In this sense, although there have always been cracks and contradictions between the AKP and TUSIAD, they did not remain permanently active as open antagonisms. After the general elections on 1 November 2015, the Prime Minister Ahmet Davutoğlu gave a speech at a TUSIAD High Advisory Council Meeting. He stated that "*I would like to*

promise you that we will ensure stability for four years, and we will keep all of our promises” (CNN TURK, 2 Nov 2015). Not long after this speech, ARÇELİK, a KOÇ Group company, benefited from a 1 billion 135 million Turkish lira tax reduction and promotion. In particular, the Turkish Ministry of the Economy's Directorate of Incentive Implementation and Foreign Investment has approved industry subsidies, customs duty exemption, VAT exemption, 2-year social security premium support for employer's share and a 55% corporate tax deduction with the Decree No 2012/3305 (ARÇELİK, 01 Jan 2016).

Overall, the contradictions and conflicts between the AKP government and TUSIAD, and the so-called Islamist bourgeoisie and TUSIAD are not simply a religious or political problem as mainstream academic circles, such as (Sönmez, 2010; Özel, 2015; Öniş & Türem, 2001), widely analyse them. As Tanyılmaz also argues, this was a struggle between the interests of different class fractions (Tanyılmaz, 2015: 90). The struggle, as predicted in Chapter III, reflects an intra-state and intra-capital conflict within the power bloc.

5.5. TUSIAD and Free Trade

TUSIAD is the catalyst and the most active agency promoting free trade relations in its dialectical relationship with the state apparatuses. To grasp the significance of free trade, which member firms of TUSIAD facilitate, I will draw attention to the transnational networks of TUSIAD members and their engagement in the global relations of production. As highlighted in the previous chapters, in the process of the internationalisation of capital, it was the process of creating cross-border production networks that was vital for the development of TUSIAD members. Table 5 and Table 6 demonstrate these trade relations with the purpose of highlighting the ways in which the member firms of TUSIAD engage with global value chains.

A key determinant of the reproduction of the social relations of production within the Turkish social formation in recent years is the regime's loyalty to the rules and regulations of a competitive market (TUSIAD, 2017a). This required the maintenance of the liberalisation of the trade regime and capital movements, and the implementation of the standards and institutions of a competitive market (TUSIAD, 2017b). As stated in Chapter II, free trade is considered by mainstream analysis as a

win-win situation for all parties engaged in it (Krueger 1980: 7), and TUSIAD is not against this neo-classical argument, but it tends more towards an institutionalist position in its national-scale politics. As TUSIAD's former general secretary, Zafer Yavan, also states, *"No one would talk about the internal or foreign trade if global free trade rules are determinant"* (Interview, 18 Aug 2016). In this sense, TUSIAD always states the importance of stability, accountability, and predictability, which were further instruments for better governance and necessary for Turkish companies to achieve competitiveness in global free trade relations (Oniř & Turem, 2001: 99). This demonstrates that, as Shaikh also argues, proponents of the free trade system use different tactics and adopt different technological changes to gain and hold their market share, a process which regulates the trade between nations as well as within countries (Shaikh, 2007:9).

In recent years, TUSIAD has become increasingly concerned about the declining profitability of Turkish capital and the sustainability of the current accumulation model. What became unsustainable for TUSIAD is the decline in profitability in recent years. A report in 2016 expressed that this decrease indicates the fragility of Turkish economic growth (TUSIAD, 2016:10). According to this report, Turkey suffered from a meltdown in its foreign trade because of its tensions with Russia which is one of the largest foreign trade partners of the companies in Turkey, and the ongoing war in Syria which has negatively affected Turkey's tourism sector. The estimated losses to the Turkish tourism industry because of the conflict with the Russian government were around \$10 billion (TUSIAD, 2016: 15). The report highlights that the latest figures on imports and exports between developed countries and emerging markets like Turkey are not sufficient and the world economy has not recovered enough since the 2008-9 global financial crisis. Chapter II defines free trade as the generalisation of commodity production at a global scale, and this has increased the asymmetrical interdependence between different fractions of capital operating in various countries. Looked at in this way, any stagnation or problem in a national space will automatically turn out to be a major issue for the maintenance of the current relations of production. The report also drew attention to the massive capital outflows and high rates of private sector debts which were \$311 billion in 2016

(TCMB, 2016). According to this report, almost \$15 billion has left Turkey in 2015 and the Turkish lira has lost around 25% of its value. This has been accompanied by the decreasing rate of exports which are hugely dependent on imports.

5.5.1. Regional Expansion of TUSIAD

The share of the Middle Eastern countries in Turkish foreign trade increased in the second half of the 2000s since, as Amin (1976: 189) predicts, outward expansion was necessary to overcome the negative consequences of the 2001 crisis. This was accompanied by a proliferation of foreign trade networks and diversification of partners, which was a direct result of the internationalisation of productive capital in Turkey. The regional expansion of TUSIAD appears as a hegemonic project which involves the class struggle within the power bloc as this study defines the state as a material condensation of class struggle (Özden, 08 May 2016). In this dynamic relation, TUSIAD advocates the expansion of free trade opportunities in the international market with the goal of creating more surplus value. As mentioned in Chapter II, surplus value is mostly transferred to high-income countries from low-income countries through unequal exchange (Weeks 2012: 99). More precisely, as Hart-Landsberg argues, companies tend to produce in different countries because of the need for more labour flexibility and a cheap labour force (2013: 54). The statement of Zafer Yavan is worth repeating here:

If the cost in energy, production, and employment of producing a textile product in Turkey is much higher than in China, Afghanistan, Pakistan or Egypt, [a Turkish producer] cannot survive. As both of us want to sell this product to France, Spain and England, in other words, we are aiming at selling to the same destinations; we are not going to sell this product to Madagascar, are we? We are going to sell these products to ones who have money, and who can buy consumer goods. Then, if the cost of workers is 40% of the total cost of the product in Turkey, and if it is cheaper in China, I would go and launch my factories in China then. Or, one should tell us to whom I can sell this product in Turkey if you want us to settle our facilities in Turkey. If there is not a potential consumer profile for my textile goods in Turkey, I would not say that I grew up here in this country, so my investment should not leave the

country. This is insane. If I do this, I will go bankrupt certainly. This means I will commit a higher treason against my homeland. If you produce in China, you will at least transfer your profit to this country. And maybe, you will make another investment here, or maybe you will have a new technical know-how, or maybe you will have a new foreign partner and you two together will make another investment in Niger. This is the new world (Interview, 18 Aug 2016).

As pointed out in Chapter II, developing countries engaging in free trade still suffer from foreign trade deficits because of the geographical dispersion of production (Kiely, 2007: 19), and a competitive disadvantage caused by unequal exchange relations (Shaikh, 2007:10). Because of the uneven and combined development characteristic of capitalism, which is reinforced by the global free trade system, Turkey did not catch up with advanced capitalist countries, contrary to the mainstream argument that free trade will result in convergence among countries engaged in free trade. The rapid growth in exports and profits in the 2000s did not affect the underlying structure of unequal trade. As expressed in Chapter IV, the current foreign trade deficit of Turkey is almost \$100 billion. TUSIAD, in this sense, has worries about the short-term departure of the AKP from the EU market and the strengthening of trade relations with the non-EU and non-OECD countries at the expense of EU countries (Buğra & Savaşkan, 2014b:218). Economic relations with the EU countries have always been a strategic TUSIAD did not isolate itself from the new strategy of the Turkish state in the aftermath of the 2008-9 global financial crisis which proposed to expand in Middle Eastern and Central Asian markets and actively engaged in these complex relations (Institut du Bosphore, 2012). Table 7 reveals some significant examples of TUSIAD's presence in non-EU countries.

Table 7: The Production Facilities of TUSIAD in non-EU Countries

Business Group	Sector	Country
IS BANK-SISECAM	Glass and Glass Products	Georgia, Russia, Ukraine, Bosnia-Herzegovina, Egypt
KOÇ Group	Whiteware, and automobile	Tunisia, Russia, China and Uzbekistan.
ANADOLU Group	Bear and Beverage	Kazakhstan, Azerbaijan, Kirgizstan, Georgia, Russia, Moldova, Ukraine, Serbia, Jordan, Syria, and Pakistan.
SABANCI Group	Cord fabric and artificial fibre	Argentina, Brazil, Iran, Egypt, Indonesia, Thailand, China, and Egypt.
ECZACIBASI Group	Ceramic and bath furniture	Kazakhstan
ZORLU GROUP	Textile	The USA, South Africa Republic, Turkmenistan, Macedonia, and Iran
	Electronic/white ware	Russia
ÇALIK Holding	Textile	Egypt and UAE.
ENKA	Pipe Profile	Russia
	Steel Tube	China
	Power Plant	Iraq, Russia
	Oil, Gas and Petrochemical	Kazakhstan, Iraq

Construction

Kosovo, Iraq, Libya,
Jordan, Saudi Arabia,
Russia, Nepal, Papua New
Guinea.

Source: Author's compilation based on websites of companies and Öztürk, 2014: 245.

5.5.2. Trans-nationalisation of Production and TUSIAD

As discussed in Chapter II, the sphere of production has expanded globally, a process which is associated with the division of the production process into segments and with establishing cross-border production networks carried out by transnational companies (Hart-Landsberg, 2013: 16-18). In this sense, an analysis of the transnationalisation of production is also crucial to understand the space of capital and the space of the state in the era of free trade imperialism. An exploration of this process of transnationalisation will provide a response to the third sub-question of this research, which examines the extent to which TUSAID-affiliated companies engage in global free trade relations. As argued in Chapter IV, TUSIAD members have expanded their base of production into different countries by increasing foreign trade facilities, typically accompanied by increased mobility of their money capital.

The quotation from another large group in TUSIAD, BORUSAN Holding's owner Asim Koçabiyik, is worth considering here:

The industry in Turkey has come to a certain level, which is not sustainable anymore. Our country must find new ways and areas to invest. We cannot achieve more employment or make a profit unless we produce more sophisticated products (Bayram, 2016: 144).

This suggests that the dominant fractions in TUSIAD have shifted their mode of capital accumulation in response to the necessities of the global value production process, and this shift has also transformed the internal social relations of production in Turkey. As stated in the previous section, TUSIAD represents both internationally oriented capital fractions, which produce in Turkey for export, and transnational companies which have production facilities across national borders. This means some of the members of TUSIAD were already engaged in trans-national production before

the rest of the fractions of Turkish capital. KOÇ Holding is the largest example of truly transnational capital. KOÇ Holding, along with other larger fractions, focus on a few vital sectors, such as energy, banking and finance, and automotive and white goods. Between 1980 and 2000, the biggest fraction in TUSIAD, KOÇ Holding, made deliberate attempts to attract new investments in new sectors, such as foreign trade, energy, and finance. In that period, KOÇ Holding established links in Algeria, Germany, the USA, Iran and France via RAM Foreign Trade Company. However, it also maintained its investments in some sectors like consumer products, washing machines and dishwashers, intermediate goods and capital goods (Öztürk, 2011:164).

The second largest transnational capital group within TUSIAD is SABANCI Holding. SABANCI Group concentrated its capital in certain sectors in the 2000s, such as car tyres, banking, insurance, cement, energy, and retail. Its financial and property holdings made it easier for SABANCI to continue to grow rapidly between 1980 and 2000, in a period when most of the bigger players have entered a period of stagflation because of the conflict between the first and second generations of capital (Öztürk, 2011:165). SABANCI Holding constructs its hegemony via joint ventures with transnational capital operating in different countries and sectors. For instance, SABANCI Holding founded HEFTI Worsted Fabric and Finishing Inc. in Switzerland in 1986 and transnationalised its production facilities (SABANCI, 2017a). It has also signed a joint-venture agreement with Toyota (TOYOTASA) in the automotive sector, DUSA in artificial fibre, BEKSA in the steel industry, and Bridgestone Corporation in 1985, which is the same year that ARGESA, the Research and Development Centre founded by SABANCI, started its activities. ARGESA aimed at developing and improving the quality of new products, decreasing the costs of production, and transferring new techniques into the production process (BRISA, 2017).

In parallel with this, most of the members of TUSIAD also engaged in transnational financial activities through owning banks in foreign countries. For instance, CUKUROVA Group owns banking interests in the USA, Germany, Switzerland and Russia, SABANCI Holding in England and Germany, YAŞAR Group in Germany, KOÇ Group in Holland and Azerbaijan, ANADOLU Group in Ireland, and DOGUS Group in

Russia, Holland, Cyprus and the Channel Islands (Öztürk, 2011:150). Hence, TUSIAD affiliates expanded internationally in the 1990s through penetration of foreign credit and banking systems. This was a consequence of the expanded free trade regime in relation to finance in the 1990s, which was suggested by the GATT Uruguay Round. This shift helped TUSIAD affiliates to integrate into the international circuit of capital by shifting their mode of capital accumulation from commercial to financial capital.

The process of the transnationalisation was solidified in the 2000s. TUSIAD has become a hegemonic organisation as the member firms of TUSIAD have started to operate in many different sectors, particularly finance, manufacturing, foreign trade and construction. In this period, TUSIAD members have both expanded and diversified their trans-national activities regarding both geographical and sectoral spaces. The already transnationalised groups have obtained priority in producing intermediate goods in foreign countries. For instance, SABANCI Holding expanded its cord fabric and synthetic fibre production towards the USA, England, Germany, Iran, France, Indonesia, Thailand, China and South American countries. KOÇ Group produces steel in China, ENKA Group produces steel tubing in China and PVC products in Russia, İŞ BANK produces glass products in Bulgaria and Russia, and the BORUSAN Group produces steel tube and flat steel in Italy and Spain (Öztürk, 2014: 180). According to figures provided by the Turkish Contractors' Association, foreign investments by Turkish companies have risen from \$1.7 billion in 2001 to \$9.8 billion in 2005, and \$30 billion in 2013 (TMB, 2016). Transnationalisation has also occurred in certain sectors like construction led by ENKA, DOĞUS, RONESANS and TEKFEN Groups, software by ZORLU Group, and media by DOĞAN Holdings. Finance and foreign trade have undergone the most rapid transnationalisation. The largest groups which have completely integrated into the global value production process in the financial sector are İŞ-BANK, CUKUROVA, KOÇ, DOĞUS, and SABANCI.

The companies mentioned in Table 8 are the largest transnational companies in Turkey, and most of these are members of TUSIAD. As argued in Chapter IV, FDI has also been a significant stimulus for the reproduction of the social relations of production in Turkey. New FDI undertaken in Turkey via cross-border mergers and acquisitions has reached \$6.1 billion in 2015 (Ministry of Economy, 2016:9).

Table 8: The Largest Home-Based Transnational Companies, 2010.

Company Name	Industry	Sales (Billion \$)	Controlling Ownership	Business Association Affiliation
OVM Petrol Ofisi¹³	Retail Trade	10.498	OVM Company & DOĞAN Holding	TUSIAD
ENKA Insaat ve Sanayi AS	Construction	5.029	ENKA Holding	TUSIAD
Ereğli Demir ve Çelik Fabrikaları	Metals and Metals Products	4.772	State & Oyak Holding	TUSIAD
ARCELİK AS	Electrical and Electronic Equipment	4.507	KOÇ Holding	TUSIAD
Türkiye Şişe ve Cam Fabrikaları AS	Non-Metalic mineral products	2.733	Türkiye İş-Bank	TUSIAD
Anadolu Efes Biracılık & Coca-Cola AS	Food, Beverages and Tobacco	3.898	Anadolu Group	TUSIAD
HABAS Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AS	Chemicals and Chemical Products	1.724	Mehmet Rüştü Başaran	-
DOĞAN yayın Holding AS	Publishing and Printing	1.703	Aydın Doğan	TUSIAD
TEKFEN Holding AS	Construction	1.470	TEKFEN Holding	TUSIAD
AKSA Akkirik Kimya Sanayi AS	Chemicals and Chemical Products	0.929	AKKOK Holding	TUSIAD
Vestel Beyaz Eşya	Electrical and Electronic Equipment	0.925	ZORLU Holding	TUSIAD
KORDSa Sanayi AS	Textile, Clothing and Leather	0.821	Sabancı Holding	TUSIAD
HAYAT Kimya Sanayi AS	Chemicals and Chemical Products	0.578	HAYAT Holding	TUSKON
Kastamonu Entegre Ağac Sanayii ve Ticaret AS	Wood and Wood Products	0.519	HAYAT Holding	TUSKON

¹³ The shares of this company were sold to VITOL Group on 13 July 2017.

ARZUM Elektrikli Ev Aletleri AS	Wholesale Trade	0.1	Mediterra Capital & Kolbaşı Family	TUSIAD
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Source: Author's compilation based on UNCTAD 2012, retrieved from http://unctad.org/en/PublicationsLibrary/webdiaeia2012d6_en.pdf.

The top three sectors in Turkey in terms of FDI in 2015 were manufacturing (\$4.1 billion), finance and insurance (\$3.5 billion), and transport and storage (\$1.5 billion) (Ministry of the Economy, 2016: 12). FDI outflows mostly targeted EU countries in 2014 and 2015. The amount of FDI flow to these countries was almost \$10 billion, which was achieved via mergers and acquisitions in manufacturing, retail, trade companies and infrastructure (DEIK & DELOITTE, 2016: 24). According to World Bank statistics, Turkey's outward FDI stock has increased from \$5 billion in 2001 to \$22 billion in 2010 (UNCTAD, 2012:1). There has also been diversification in the sources of FDI to Turkey. More precisely, as also mentioned in the previous chapter, the share of the EU countries in FDI to Turkey has decreased while the share of Asian, Middle East and North African countries increased. For instance, the share of the EU countries in FDI coming to Turkey decreased from 70% to 58% in the last three years (Ministry of Economy, 2016:5). Notwithstanding the drop in the share of EU countries in Turkey's FDI, TUSIAD continued to benefit from diversification thanks to its transnational investments and sales in different spaces. For instance, FDI by Qatar accounted for a significant share of cross-border sales, as Mayhoola bought a 31% stake in Boyner Perakende for 330\$ million, and Banco Bilbao Vizcaya, a Spanish company, made a \$2.5 billion acquisition of Türkiye Garanti Bankası A.S. (UNCTAD, 2016: 47). In addition to this, Malaysia Airports has taken over the shares of Limak Investment Energy Company for \$316 million. China Merchant Holdings has also purchased a 64.5% stake in Fina Holdings for \$940 million in 2015 (Ministry of the Economy, 2016: 18).

Turkish companies also invested around \$1 billion in Peru and Chile through mergers and acquisitions in 2014 and 2015 (DEIK & DELOITTE, 2016: 13). The FDI of Turkish companies in the Middle East and Africa also increased to \$1 billion in 2014 and 2015 (ibid, 2016:16). The top invested sectors in these countries are manufacturing, logistics and retail. The level of FDI in Asian countries also increased. The FDI outflows to China in 2014 and 2015 were around \$1.24 billion, and the largest investment

made by TUSIAD members, namely ARÇELİK, a KOÇ Holdings brand, were in Thailand and in Kale Industry Holding in India (ibid., 2016:19). The investments of Turkish companies in the Eurasian countries was almost \$3 billion in 2014 and 2015. The top invested sector was manufacturing, and the top investors were TUSIAD members. For instance, BORUSAN made the largest investment in 2015 through mergers and acquisition in Russia (Ibid, 2016:21). Also, Gedik Holding has shifted its interests towards destinations in Africa (HT Ekonomi, 01 Aug 2016). In total, Turkish companies have made almost \$23 billion in investments between 2010 and 2015 (UNCTAD, 2016: 198). Their outward FDI stock was \$3.6 billion in 2000, while this increased to \$22.5 billion in 2010, and \$44.6 billion in 2015 (UNCTAD, 2016: 202).

However, there are some obstacles to the continuation of FDI inflows. As argued in a report published by the Economic Research Forum formed jointly by Koç University and TUSIAD in 2012, economic vulnerabilities and fluctuations in the economy are the main obstacles for encouraging new foreign investment in Turkey. Capital outflow and the depreciation of the Turkish lira were also critical problems that are likely to adversely affect the Turkish economy (Oz & Blaszkiwicz-Schwartzman: 2012: 17). As the member firms of TUSIAD have integrated into the global market, any change in the internal structure of capital relations might affect the total circuit of their capital. This is because their domestic investment is heavily dependent on capital inflows (Oz & Blaszkiwicz-Schwartzman: 2012: 7), or in other words, Turkish production is dependent on the import of low-value-added intermediate goods, a type of dependency which has become a characteristic feature of the Turkish economy.

5.5.3. The Hegemony of TUSIAD and Internal Unevenness

As argued in Chapter II, free trade creates international unevenness as well as internal unevenness. As Kiely also explains, internal unevenness arises without any necessary intent on the part of actors (Kiely, 2010: 188), such as TUSIAD in the Turkish case. Table 8 shows that TUSIAD has a persistent hegemony over other capital groups, which is a direct result of the uneven development of a few giant companies within TUSIAD. In 2007, the largest groups which have the most foreign income were KOÇ Holding (\$2.6 billion), SABANCI Holding (\$1.33 billion), and Anadolu Group (\$1.09 billion) (Gozutok, 2008). These groups are distinguished by their transnational

characteristics. KOÇ Holding is the biggest capital group in Turkey in terms of sales, exports, and number of employees, and it is the 341st largest company in the world (KOÇ, 2017a). Its annual total revenue accounted for 7% of Turkey's GDP, and 9% of Turkish foreign trade in 2015. This confirms the argument made by Shaikh, that technologically advanced firms would automatically receive more advantage from free trade (Shaikh, 2007:10). The global diversification of KOÇ Holding's activities is also noteworthy. The share of European Countries in KOÇ Holding's total revenues is 67%, Asian countries 15%, African countries 10%, and countries in South and North America 7% (KOÇ Holding, 2015: 18).

As stressed in Chapter II, unequal patterns of production and wages among countries make countries in the Global South internationally less competitive than established capitalist countries (Kiely, 2010:53). Turkey is positioned somewhere between the two extremes. The largest fractions in TUSIAD, therefore, expanded their base of production in other countries in the Global South which have lower wages and the costs of production compared to Turkey. From the 1990s onwards, KOÇ Holding has internationalised. It has expanded its base of production and financial activities towards different countries, which paved the way for the uneven development of KOÇ group along with a few others. Historically, KOÇ Holdings engaged in its first exports in Bulgaria and Pakistan in 1967 and launched its first international service station in Iraq in 1979. It started producing commercial vehicles in Uzbekistan in the 1990s, and white goods in Tunisia a little later. By 2007, KOÇ group operated in 27 different countries through foreign direct investment (Colpan, 2010: 510). The primary sources of integration into the global free trade system of KOÇ Group were franchising, licence agreements, and joint ventures with foreign companies. It entered into deals with US companies such as Standard Oil, General Electric and Ford Motor, and made contracts with several foreign companies like Uniroyal and Pirelli. As KOÇ Holding was one of the first capital fractions which engaged in joint ventures and licence agreements with foreign corporations, it dominates most of the sectors in Turkey. This has created internal unevenness among capital fractions in Turkey. As argued in Chapter II, free trade also (re)produces intra-regional and intra-societal unevenness, which results in the monopoly of some fractions which is reflected in the

global exploitation of labour. The first mover advantage provided these capital groups with a competitive advantage in the total circuit of capital. For instance, During the ISI period from the late 1950s to the 1980s, KOÇ Holding shifted its means of capital accumulation towards domestic production. In this time, KOÇ Holding started to produce automobiles, trucks, tractors, refrigerators, washing machines and other white goods. These years were the period in which KOÇ Group became dominant in particular sectors with their international partners. For instance, they made a contract with Siemens for producing consumer goods, with FIAT in producing tractors (TURK Traktor), and also produced the first locally manufactured automobiles. TOFAS Company, which was established as a joint venture with FIAT, produced 445,000 cars between 1971 and 1988 (Öztürk, 2011: 222). Within the internationalisation of productive capital, KOÇ group shifted its manufacturing strategy, and moved its production from producing private cars to commercial vehicles. This was also reflected in its foreign trade policy. For instance, although, TOFAS has exported 3% of 445 thousand cars which it produced until 1988, this figure increased 69% in 2007 (Öztürk, 2011: 223). In 2014, TOFAS achieved 19% of total production in Turkey and exported around 142,000 vehicles (KOÇ, 2017b).

Acquisitions of foreign companies was another means of integrating into global free trade relations. As pointed out in Chapter II, the uneven integration of different capitals into global free trade creates enormous imbalances between and within capital fractions (Shaikh, 2007: 10). This resulted in the domination of KOÇ Holding and a few others in Turkish capitalism. For instance, KOÇ Holding has taken over the Bloomberg Company which produces washing machine in Germany, and Elektra Bregenz Company which markets white goods in Australia. In the same year, the Leisure and Fragel brands, and Arctic Company which produces white goods in Romania were taken over (Öztürk, 2011:227). BEKO, a brand of KOÇ Holding, has taken over the Grundig brand and has increased its share in consumer electronics market in Germany from 5% to 19% in 2007 (ARÇELİK, 2015: 32). In the same year, KOÇ Holding has started electronic goods production and white goods production in Russia. BEKO Company is ranked the second biggest TV producer in Europe in 2007; the first firm in the list was another TUSIAD member, Vestel, which is a ZORLU Group

brand (Öztürk, 2011:228). KOÇ Group has also purchased 40% of shares of OPET, which is the second biggest petrol retailer in Turkey, taken over YAPI Kredi Bankası from CUKUROVA group in 2005, and TUPRAS in 2004. In the same way as with KOÇ Holding, a few others like SABANCI, ANADOLU, TEKFEN, ECZACIBASI and CUKUROVA groups became the most dominant fractions within Turkish capitalist classes. Acquisition of foreign companies was also a means of integration into global free trade relations for these companies. For instance, ECZACIBASI Holding has taken over Villeroy & Boch ceramic tile department, ÜLKER has taken over the global chocolate firm Godiva, ANADOLU Group has taken over Krasny Vastok Bear in Russia and Lomisi Bear in Georgia, and SABANCI has taken over DuSa. SABANCI Holding is the second largest group within TUSIAD, which operates in 16 different countries, and engages in global circuits of capital across Europe, the Middle East, North Africa, and North and South America. The total revenue of SABANCI Holding was \$17.6 billion in 2015 (SABANCI, 2017b). Another significant group is ENKA, which has completed 121 projects in Turkey amounting to a contract value of \$7 billion, and another 371 projects with a contract value of \$34 billion have been awarded to ENKA in foreign countries (ENKA, 2017). ANADOLU Group operates 25 plants in 10 different countries including Iraq, Syria, Jordan, Kazakhstan, Kyrgyzstan, Turkmenistan and Tajikistan (ANADOLU, 2017a). CUKUROVA Holding has operated in the Northern Iraq Kurdish Federal Region since 2002. This group invests in the energy sector, and its subsidiary which is called Genel Energy is the largest oil and petroleum producer in the area (CUKUROVA, 2017).

As mentioned in Chapter II, free trade expands the sphere of social relations of production (Marx & Engels, 1894: PT III). In this sphere, TUSIAD members adopted different strategies to broaden their base of production on a global scale. First of all, some capital fractions have become sales representatives of transnational capital in the aftermath of the collapse of the USSR. For instance, BORUSAN has become the sales representative of Massey Ferguson and Caterpillar in some Central Asian countries. In a similar way, ANADOLU group has become the sales and marketing representative of Coca-Cola in many different countries. Secondly, some fractions of bigger capital have introduced sale and marketing branches in foreign countries. For

instance, KOÇ Holding launched sales and after-sale services in Eurasian and European countries. In addition to this, these capital groups have launched giant shopping malls and retail stores in Russia, Azerbaijan and elsewhere. For instance, Romenka established with KOÇ-ENKA a major pioneering partnership. These partners ran 543 stores in more than 78 countries in 2005. This global expansion of Turkish capital has created new challenges for small stores in the marketing sector in Turkey. For instance, more than 60,000 small grocery stores have gone bankrupt in the post-2004 period, and the share of small groceries in the Turkish marketing sector declined from 50% to 33% between 1999 and 2003 (Öztürk, 2011:157). This was a direct consequence of the uneven development of bigger firms within TUSIAD, which have been dominating the total circuit of capital for the last forty years. This expansion of large firms was accompanied with the internationalisation of production together with the global integration into the free trade relations. In the period of internationalisation, Turkish companies' base of production expanded into different countries through new international trade and investment networks, while the relationship between big and small capital and the relationship between different regions of Turkey have taken a new direction. The local firms in industrial estates in smaller cities in Anatolia like Denizli, Gaziantep, Kayseri, and Konya have established both international trade links and internal trade ties with the bigger capitalists in Istanbul and Izmir (Öztürk, 2011:183). TUSIAD has continued to open new branches in different countries, and played a leading role in establishing TURKONFED in 2004. TURKONFED was established with the help of TUSIAD to correct the negative image of TUSIAD (which is regarded as the big businesses' club with no room for the smaller players). More precisely, TURKONFED was expected to form networks between SMEs (Buğra & Savaşkan, 2014a:126). By the time of writing, TURKONFED had become a competitor to TUSKON, which the following chapters discuss in detail. TURKONFED brought smaller companies together in a confederation linked to TUSIAD. The establishment of TURKONFED is an attempt to create hegemony on the part of TUSIAD over the internationally oriented capitalist fractions organised within MUSIAD and TUSKON. As Chapter VI and VII discuss in detail, SMEs operating in Anatolia mainly produce in Turkey for export. Having dominated these SMEs, the main purposes of TUSIAD are to expand its base of production in sectors in which

transnational companies do not directly operate, and to prevent these companies from becoming members of MUSIAD or TUSKON. In a similar vein, another federation created under the guidance of TUSIAD is SEDEFED (Sektorel Dernekler Federasyonu, the Platform of Industrial Associations) (Buğra & Savaşkan, 2014a:124). TUSIAD aimed at encouraging regional SMEs to integrate into the total circuit of capital both inside and outside the country. Overall, around 60.5% of the international companies are settled in Istanbul with 28,782 companies, Antalya is the second with 4715 companies, Ankara is the 3rd with 2683 companies, and İzmir is the 4th with 2237 companies. In terms of the TUSIAD presence in the east and southeast regions of Turkey, we shall look at the activities of TURKONFED and the latest BORGIP (The Project of Developing Cooperation between Regions) project arising from collaboration between TUSIAD and TURKONFED (BORGIP, 2017). The aim of this project is to give assistance to new entrepreneurs who would like to set up a business in the East and Southeast regions.

The number of transnational firms operating in Turkey has also increased because of the expansion of Turkish capital. According to figures published by the Ministry of the Economy in 2016, Turkey has 47,493 companies operating internationally. 41.116 of these companies are Turkish international companies, while 6,447 of them are joint ventures (Ministry of the Economy, 2016: 20). According to this report, these international companies operate mainly in the wholesale and retail trade, manufacturing and property sectors. Of the joint ventures, 1256 of 5546 international companies launched in partnership with Turkish companies were from EU countries, while 2985 companies were from Near and Middle Eastern countries (Ibid:24). Major transnational firms operating in partnership with Turkish companies include Ford Auto, Fiat Auto, LG Electronics, Uni Credit Group, Fuchs Petrolub AG (in a collaboration with the KOÇ Holding), Ageas, Aviva, Bridgestone, Carrefour, Marubeni, Philip Morris (in a collaboration with SABANCI Holding), Renault, Dacia Automotive (in a partnership with OYAK Group), Coca-Cola Company, Isuzu Commercial Vehicles, KIA, and Faber-Castell (in a partnership with the ANADOLU Group). ANADOLU Group operates in 19 countries with around 80 companies, 61 production facilities, and nearly 50,000 workers (ANADOLU, 2017b). This group engages in global value

production processes in many different sectors, such as beverages, cars, retail, agriculture, real estate, energy and health. The major international business partners of ANADOLU Group are AB InBev, Coca-Cola, McDonald's, Faber-Castell, Isuzu, Kia, Lombardini, Honda, and Cutrale (ANADOLU, 2017b).

5.6. Conclusion

This chapter examined TUSIAD which is the largest and most effective business association in terms of its sales, production, trade volume and transnational networks. This chapter suggests that the capacity of TUSIAD to promote its interests within and outside the power bloc does not result from its organisational capacity. It results from the structural power of capital in class struggles and social relations of production. TUSIAD was established to protect and strengthen the interests of the bigger fractions of Turkish capital. The chapter argued that many of TUSIAD's affiliates integrated into global relations of free trade since its establishment in 1971. It also pointed out that TUSIAD members had completed the inward-oriented accumulation process before the 1980 military coup. The adjustment policies after the military coup paved the way for integration into the world economy. The change in the mode of integration, as noted in the previous section, is visible in international investments, joint ventures and licencing agreements between TUSIAD members and foreign firms.

TUSIAD is the hegemonic fraction amongst business associations in Turkey. The hegemonic position of TUSIAD experienced some decline in the late 1990s, but gained upward momentum in the 2000s. This chapter also contended that there is a distinction between capital fractions in TUSIAD. The largest companies, such as KOÇ, SABANCI, ANADOLU, ECZACIBASI, DOGUS Holdings and a few others, dominated the total circuit of capital, which resulted in a hegemony of these groups in Turkish foreign trade. Their domination deepened and concentrated in manufacturing, banking, the stock market, retail and international trade in the 2000s. The chapter also argued that bigger fractions in TUSIAD shifted their pattern of capital accumulation based on the extraction of relative surplus value through higher technology and increasing labour productivity in the 2000s. This hegemony of TUSIAD

has been challenged by the new generation of capital represented by MUSIAD and TUSKON, a process which will be explained in the next chapters.

The chapter revealed the extent to which the members of TUSIAD engage in transnational relations of production and global relations of free trade. Specific holding companies, such as KOÇ, SABANCI, ENKA, and ANADOLU, were examined to provide a comprehensive analysis of the transnationalisation of TUSIAD's social base. As predicted in Chapter II, these large members of TUSIAD increased the rate of surplus value extraction by lowering the value of their constant capital. The ways in which TUSIAD, as an agent of international free trade relations, internalises the interests of transnational companies was also revealed. For instance, giant transnational firms like Ford Motor, FIAT, ISUZU, TOYOTA, HONDA RENAULT, LG Electronics, Uni Credit Group, Faber-Castell, Philip Morris and many others operate in Turkey through joint ventures and licence agreements signed with TUSIAD members.

The chapter also mentioned the class struggles within the power bloc in each phase of capital accumulation, which were represented among TUSIAD members and the AKP in different ways at different times. Concerning Poulantzas, this chapter argued that the class struggle within the power bloc (re)produces the social relations of production. Thus, the compromise between the AKP and some fractions within TUSIAD demonstrates the way in which the state is thoroughly grounded in capitalist relations of production, and the peculiar materiality of the state, which helped the AKP to place itself above civil society. Accordingly, the chapter argued that the contradictions within the power bloc reflect the short-term struggles between different fractions of capital as it is not a relationship between equals. However, when it comes to the maintenance and reproduction of the social relations of production, consensus within the power bloc becomes necessary. This also demonstrates that the state is a material condensation of the class struggle. This is evident in the specific configuration of the power bloc and the struggle for hegemony between TUSIAD and the AKP in the late 2000s. In this regard, this chapter argued that the determinants of the relationship between TUSIAD and the AKP are not only religious, cultural or ethical dimensions, in contrast to what mainstream analysis

contends, but also the extent to which the reproduction of the social relations of production is secured. TUSIAD has always taken a determined stand in support of the AKP-led power bloc as long as the AKP has implemented anti-labour policies and enhanced the global integration of Turkish capitalism. On the other hand, the relationship is weakened when the class struggle becomes deepened due to their clashing interests.

In the next chapters, the place of other business associations in the social relations of production and global free trade relations will be examined to provide a better analysis of the class struggle within the power bloc, as well as to reveal the internal unevenness which was created in the process of integration into transnational relations of production.

6. Chapter VI: MUSIAD, the State and Global Integration

6.1. Introduction

The emergence of MUSIAD (Müstakil Sanayici ve İşadamları Derneği, the Independent Industrialists and Businessman Association) coincides with the transition of the industrial bourgeoisie into finance capital in the 1990s. The main change which can be gleaned from the emergence and rise of MUSIAD is the shifting pattern of the capital accumulation, which resulted from the international mobility of Turkish productive capital in the last two decades. Although this process was initiated by TUSIAD affiliates, it created new bourgeois class fractions with distinct interests. In this sense, the chapter argues that the rise of MUSIAD is not simply an outcome of the conflict between the *secular* and *Islamist* bourgeoisie, defined in superstructural terms in isolation from the social relations of production. Rather, the rise of MUSIAD is part of a process of transformation in the patterns of capital accumulation and uneven development of capitalism in Turkey.

Accordingly, this chapter argues that the differences between MUSIAD and TUSIAD are based on five distinct but interrelated dimensions. The first difference is based on the scale of capital accumulation. While most of the TUSIAD members are larger capital groups, MUSIAD is mostly composed of SMEs. The second is a difference in the forms of appropriation of surplus value, which also affect the tempo of the concentration and centralisation process for both business associations. As mentioned in Chapter V, the companies affiliated with TUSIAD focus upon producing high-tech products and focus on the extraction of relative surplus value from transnational value chains which also involve importation of intermediary goods and exploitation of financial circuits. On the other hand, MUSIAD affiliated companies concentrated on extracting absolute surplus value until the 2000s and are only now in the process of appropriation of relative surplus value through technology transfer. This means that the majority of MUSIAD members produce mainly in low value-added sectors which are labour-intensive. The third difference is related to the different roles the two capital fractions play in the power bloc. In other words, they construct different power relations in the power bloc in different ways. In the case of MUSIAD, municipalities and foundations are more influential mechanisms to realise

their specific interests at the state level than they are for TUSIAD. The next difference is about the patterns and phases of integration into the global relations of free trade. While most of the members of TUSIAD integrated into global relations of free trade in the 1980s, most companies affiliated with MUSIAD engaged in these global relations only in the late 1990s and early 2000s. The final difference regards the international markets in which the companies mostly operate. While the majority of TUSIAD members operate in the EU market, most of the MUSIAD-affiliated companies engage in exchange relations with Middle Eastern countries. These differences will be detailed in this chapter.

This chapter examines how MUSIAD engages in social relations of production, and at the same time, sketches out how MUSIAD mediates the consolidation and survival of the capitalist class in response to the first sub-question of this thesis which explores the class characteristics of MUSIAD-affiliated firms. In this sense, the chapter outlines the dominant sectors in which member firms of MUSIAD operate, and lays out the differences and similarities between MUSIAD-affiliated companies and other companies affiliated with TUSIAD and TUSKON. Secondly, this chapter investigates the role of MUSIAD in the power bloc in response to the second sub-question of this thesis which examines the relations between MUSIAD and the state. In doing so, the chapter explores the dialectical relationship between MUSIAD and the state. As highlighted in Chapter II, this study examines the role of agency in global free trade relations and argues that the state is a material condensation of class struggles (Poulantzas [1974]1975:26). Following these conceptualisations, the chapter examines the role of specific state apparatuses and, in particular, AKP municipalities in increasing MUSIAD's ability to accumulate capital, and to engage in relations of power and class struggle. This chapter argues that municipal governments in provincial cities materialise state power in their interaction with the member firms of MUSIAD. Contrary to mainstream arguments, this chapter argues that the patterns of internationalisation of capital accumulation shape the way in which this business association engages in the global relations of free trade. In this purpose, this chapter uncovers the ways in which the member firms of MUSIAD engage in the relations of production, exchange and revalorization. Furthermore, it uncovers how free trade

creates unevenness between different fractions of capital represented by MUSIAD in response to the third sub-question of this thesis. Finally, this chapter concludes with an assessment of these complex relations.

6.2. The Historical Development of MUSIAD

The establishment of MUSIAD coincides with the rise of political Islam in the 1990s. To grasp the emergence of MUSIAD and the dialectical relationship between MUSIAD and the state, there is a need to address the fragmentation within political Islam in Turkey in the late 1990s, as well as the relationship between neoliberalism and political Islam in Turkey. The legal-political Islamist party which was supported by some significant fractions within MUSIAD was the Welfare Party (Refah Partisi, RP). The RP was closed after the 28 February 1997 *postmodern coup*¹⁴, and re-surfaced five times with different names: National Order Party (Milli Nizam Partisi), National Salvation Party (Milli Selamet Partisi), Welfare Party (Refah Partisi), Virtue Party (Fazilet Partisi), and currently Felicity Party (Saadet Partisi) (Tugal, 2009: 42). After the closure of the Virtue Party, there appeared two different fractions of a political party in the Turkish politics. One is the Felicity Party, which was founded by the *traditionalist* wing within the RP, and the other one is the AKP founded by the *reformist* wing within the RP.

The 1980s represent a break in capitalism leading to the rise of MUSIAD since the export orientation policy created an environment conducive to entering in the circuit of capital. As a result, the small-capital fraction of the bourgeoisie started to operate in sectors which were abandoned or neglected by the big-capital groups. Apart from economic transformation of Turkey in the post-1980s, religion and culture also occupied a vital space for the rise of MUSIAD. They established business networks with the help of their religious networks, especially in Konya and Kayseri. New legal regulations also paved the way for operations of *cemaats/tariqats*¹⁵ which

¹⁴National Security Council of Turkey issued some decisions on 28 February 1997, which were based on the views of generals regarding the threat to secularism. The Prime Minister, Necmettin Erbakan, was forced to sign this memorandum, and the coalition government was ended by this process. This military intervention is called a “postmodern coup” because the constitution was not suspended, nor the parliament dissolved.

¹⁵Tariqat/Tariqa/Tariqah means ‘cult’ in English, and refers to a school or order directed towards a particular person or a school of thought.

constituted the material base for the capital accumulation of MUSIAD-affiliated capital. For instance, the Foundations Law implemented by the government in the 1990s provided legal spaces for MUSIAD to reach a broader audience (Doğan, 2006: 53).

As mentioned in Chapter V, the military coup in 1980 was an attempt to put an end to class-based politics. It was led by the military junta which united the power groups and defused the crisis of hegemony in the power bloc. MUSIAD, therefore, views this military coup favourably. The ex-president of MUSIAD, Ömer Cihad Vardan, argued that 12 September 1980 military coup saved the country from a situation of anarchy which brought the country to the brink of disaster (Vardan, 2012:26). As smaller fractions of capital knew that integration into the world economy was vital for their survival, they advocated the neoliberal economic policies of the Ozal government in the 1980s. As stated in Chapters IV and V, inward-oriented capital accumulation reached its domestic limits in the late 1970s. Before the 1980s, most small companies only produced for the national market, so they initially represented nationally oriented capital. Integration into the the world economy provided smaller companies with new areas in which to produce, especially through sub-contracting (Ercan, 2002). It is this period which accelerated the transformation of some of the nationally oriented fractions within MUSIAD into larger fractions which invest in foreign countries and engage in subcontracting relations, such as Kombassan, Jetpa, Yimpaş, İttifak, Endüstri, Çalık, Albayrak and Boydak Holding (Öztürk, 2015: 120).

The Ozal period is the period in which MUSIAD flourished and was strengthened in both public and private spaces. Hence, the policies of this period did not only change the radical vision of Islamists in Turkey but also transformed the way in which they engage in business activities (Yavuz, 2009: 56). This is not only seen in civil society, as mainstream theories contend, as emerging capital fractions also found spaces in political society. In this period, new financial networks were formed in foreign countries, which played a crucial role in transformations in the manner of accumulation of capital by MUSIAD affiliates. After the victory of the RP in municipal elections in 1994, the relationship between the state apparatuses and the Islamist bourgeoisie also transformed. For instance, the latter benefited from public funds

through bids and local business networks in big cities in Turkey like Ankara and Istanbul (Yavuz, 2009: 59). Moreover, Turkish citizens living in EU countries were integrated into the process of capital accumulation through donations and charity organisations led by Islamist NGOs.

In the 1990s, the discourses of MUSIAD representatives in opposition to the state and Western institutions, global free trade relations and capitalism became more radical. The goals of MUSIAD were mainly: (i) to make more profit from the privatisation processes as they thought the big bourgeoisie organised under TUSIAD had a domination over state contracts; (ii) to enter into sectors, such as automotive and finance, which were dominated by TUSIAD members; (iii) to follow an alternative model of integration into the world economy based on the idea of an “Islamic Common Market” rather than integration with the EU or the USA; and (iv) to follow a different path of money-capital accumulation and stop the IMF-backed strategy which favours a small number of big capital groups, while dominating small-scale capital groups (Özden & Akça & Bekmen, 2017: 191). Despite the radicalism of aspects of the rhetoric of this period, it is clear that, MUSIAD in the 1990s was neither against the idea of internationalisation of capital nor against global free trade *per se*. What they argued against was the dominant view of which markets that Turkey should target. In short, the main strategy of MUSIAD was to challenge the domination of TUSIAD in all sectors.

The close relationship between the RP and MUSIAD reconstructed the relations of power and class within the state structure. As mentioned in Chapter V, TUSIAD was the hegemonic fraction in the Turkish capital in the 1980s-90s, and the rise of MUSIAD in the late 1990s created contradictions among different capital fractions. The rapid and uncontrolled growth of MUSIAD members could jeopardise TUSIAD’s position as the centre of traditional finance capital. For instance, the firms affiliated with MUSIAD have accumulated almost \$50 billion through the Islamic banking system, which was relatively outside of the legal control of the government (Doğan, 2006: 60). Another contradiction emerged between MUSIAD and TUSIAD in the privatisation of state’s electricity provider (TEDAS) in 1997. To outbid a TUSIAD member firm in the privatisation bid, over 3000 MUSIAD members made financial

contributions to launch a new firm which is called Investment Partnership Inc. (Gürakar, 2016: 15). This is a good example of why TUSIAD attempted to reduce the power of SMEs affiliated with MUSIAD.

The military intervention in 1997, which resulted in the resignation of the Prime Minister Necmettin Erbakan who was the leader of the RP government, brought a change in discourse of MUSIAD representatives (Buğra & Savaşkan, 2014: 130). MUSIAD publicly declared that the capital had no colour and religion. It also became much less vocal in its criticism of the EU and of integration into the global political economy (MUSIAD, 1999: 46). This demonstrates that SMEs who had close ties with the RP government realised that they would not be able to realise themselves in the current circumstances (Akça & Özden, 09 November 2015), as the RP and MUSIAD were not strong enough to confront the dominant power bloc. The Constitutional Court opened a court case against MUSIAD just after the 28 February 1997 coup (Yankaya, 2012: 2). As a result, the leaders of MUSIAD recommended its members not to use religious references in their commercial and promotional activities. While this was partly a strategic move in response to repression, the fraction of capital within MUSIAD was also unsympathetic to traditional Muslim mentalities towards market principles. For instance, they were in favour of competition in the free market and contended that Islam was compatible with capitalism. Therefore, MUSIAD reorganised its relations with political and civil society after the military intervention on 28 February 1997. In this sense, they supported the establishment of the AKP whose leaders represented the revolutionary fraction within the RP (Göl, 2009: 803).

6.3. Social Relations of Production and MUSIAD

6.3.1. The Specific Forms of Capital Accumulation of MUSIAD Members

This section argues that the main features which distinguish MUSIAD from TUSIAD are the scale of business, the patterns of capital accumulation, and the specific ways of integration into global relations of free trade. With reference to Chapter IV, this section argues that the way TUSIAD members integrate into the global free trade generated enormous imbalances between different fractions of capital as well as in the spatial impact of the international process of accumulation. This also created differences in size which arose from the uneven development of capitalism in Turkey.

Historically, MUSIAD established networks among different sized enterprises located in various provinces in every geographical region of Turkey. Five years after its establishment, in 1995, it had 1717 member firms. Only sixty of these companies employed more than 100 workers (Buğra & Savaşkan, 2014: 117). The transformation of the patterns of capital accumulation in the late 1990s affected the way in which the member companies of MUSIAD engaged in the relations of capital accumulation. Most of the smaller firms in MUSIAD integrated into the process of capital accumulation through donations, charity organisations led by Islamist NGOs, and the remittances of Turkish citizens living in European countries (Demir, Acar & Toprak, 2004: 170). The largest companies established with the help of foreign remittances are Kombassan Company, Yımpas Holding, Büyük Anadolu Holding, Jet-pa Holding, and Ittifak Holding (Demir & Acar & Toprak, 2004: 170). Some companies became more conventionally powerful and hence became capable of winning government bids. For example, Kombassan Holding won the bid for PETLAS in 1997 when the political Islamist RP was in power (Mynet, 31 March 2005). This was a potential challenge to the constructed relations of power and class within and outside the power bloc.

Additionally, the members of religious communities undertook joint investments, got loans and credits from each other, and established mutual assistance networks to buy and sell inputs, such as raw material, machinery and intermediate goods, which helped them to reduce the costs of transportation and transactions. Another form of capital accumulation that some member firms of MUSIAD have adopted is collecting money from religious entrepreneurs, a practice which is not subject to regulations by capital market authorities. Instead, it is run on a trust-based system, which *precludes the sins of interest income* (a doctrinal justification for the network-based nature of small-scale capital accumulation). This fund-raising system was subject to intervention by the Capital Market Board as it escaped from legal supervision, and hence, was viewed as an attempt to change the basis of the market economy (Buğra & Savaşkan: 2014: 58).

Another significant form of capital accumulation was Islamic banking (interest-free banking), often connected to communal linkages. Islamic banks in Turkey were

initially established in cooperation between Saudi and Turkish capital. At a later stage, the Arabic share in banks in Turkey decreased and Turkish capital established its own Islamic banking system in the 1990s. The main Islamic financial institutions formed in this period were Anadolu Finance owned by Istikbal Group, a leading furniture manufacturer in Kayseri, Ihlas Finance House, an Islamic financial institution which was closed in 2001 because of liquidity problems, and Asia Finance House which started its operations in 1996 (Syed Ali, 2007: 40). The institutional responses to the Islamic prohibition on using the interest-based banking system made it easier for the member firms of MUSIAD to make sub-contracting and licence agreements with international capital to operate in Turkey as *Islamic* capital. This pattern of capital accumulation is maintained through personal relationships, and different forms of networking through religious organisations like *cemaats* and *tariqats*, which also have close relationships with political parties (Hoşgör, 2011: 344). Islamic *cemaats/tariqats* have played a crucial role in the development of MUSIAD as they provided network facilities to the companies and created a base for reaching a wide range of customers. The network relations between conservative businesspeople led to the opening-up of new channels for capital accumulation. However, the differences between informal network-based systems and formal capitalism are not simply superstructural questions of religious belief. Rather, networked accumulation involved a different style of bourgeois class formation.

6.3.2. Class Characteristics of MUSIAD-Affiliated Firms

The class relations and practices of MUSIAD-affiliated firms and their specific forms of interaction within the power bloc can only be grasped by treating the concept of class 'as a relationship and process'. As Poulantzas states, the relations of production have the determinant role in the social formation, but the ideological and the political also occupy a very significant space (Poulantzas [1974]1975:14). As Ollman additionally argues, viewing these elements separately may lead ignorance of the contradictions that appear in the process of reproduction of the social relations of production (Ollman, 2003: 18). When examining the place of ideology in the process of capital accumulation, this section argues that class and power relations primarily shape the process of capital accumulation in Turkey. This means that the analysis of

MUSIAD is not only based on the personal or institutional attachments of businesspeople to the state but, more precisely, through its relationship with production relations, productive forces and class fractions.

What I have seen through my fieldwork is that religious affiliations can play an important role in building trust and establishing networks between members of MUSIAD. According to my interviewee, *what distinguishes MUSIAD from TUSIAD is the loyalty of MUSIAD to moral values (religion and tradition)* (Interview 2, 04 Aug 2016). In terms of the role of religious affiliation and paternalistic relations which are dominant in the organisational structure of companies, what I have further seen during my fieldwork is that to become a MUSIAD member, *'a company needs to have a good reputation among business circles and society for its honesty and probity'* (Interview 2, 04 Aug 2016). More precisely, MUSIAD-affiliated firms might think that being a religious businessperson would help them to work with the government, which might create harmonious relationships (Interview 3, 01 August 2016). This thesis, therefore, argues that religious affiliations provide network and subcontracting opportunities for those SMEs which are willing to engage in the total circuit of capital at national and international level.

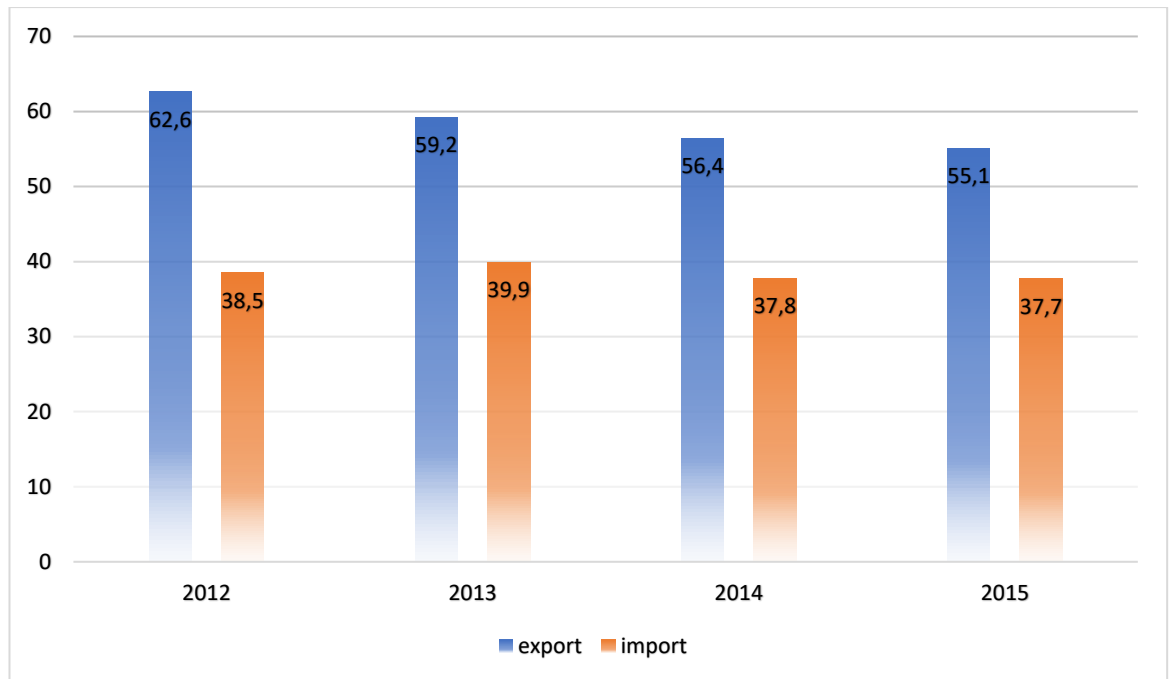
This thesis argues that the majority of the firms organised under MUSIAD are SMEs, and they are also internationally oriented companies producing for export (MUSIAD, 2014: 61; Interview 1, 04 Aug 2016). These export-oriented companies adapted their pattern of capital accumulation to the global circuit of capital with regards to the necessities of global relations of free trade. As stated in Chapter IV, the 1980s represented a break which led to the rise of this fraction of the bourgeoisie. As smaller fractions of capital knew that integration into the world economy was vital for their survival, they integrated into the global relations of free trade in their own specific ways. More importantly, as argued in Chapter II, the uneven development of this fraction is a direct consequence of the timing off in the process of beginning to accumulate capital and integrating into the international relations of production. This is to say that most of the MUSIAD members represented nationally-oriented companies in the late 1980s and 1990s, which have transformed into internationally

oriented capital which produce for export in the 2000s. This transformation coincides with the rise of the AKP in the early 2000s.

The share of SMEs in Turkish total export volume was 55.1% in 2015, and SMEs also captured 37.7% of import volume (Table 8). This suggests most of the SMEs in Turkey are export-oriented capital. According to the reports and working papers published by MUSIAD, the majority of its members operate in the construction, logistics, furniture, services, transportation, and textiles sectors (Atiyas & Bakis, 2013:12). Importantly, these sectors basically require low-tech production facilities and a cheap labour force. The share of the industrial sector in SMEs' total export was 36% in 2015, while it was 59.3% in the total foreign trade sector in the same year (TUIK, 2016), showing that SMEs are underrepresented in export production. This, as argued in Chapter II, is because of the temporal unevenness which made TUSIAD more competitive in most industrial sectors. Internationally oriented fractions of MUSIAD members mostly operate in sectors and countries which were neglected by the TUSIAD members (Vardan, 2012:141).

As stated in Chapter V, TUSIAD represents the fraction of Turkish capitalists which became internationalised in different forms of capital, such as commercial, monetary and productive. In contrast, MUSIAD represents the latecomers to the internationalisation process who were marginalised by the hegemony of the larger holding companies affiliated to TUSIAD. As discussed in Chapter IV, internationally-oriented fractions of MUSIAD were also encouraged to shift their mode of production towards a model which is compatible with the internationalisation of production. In this period, member firms used different network channels to find international partners in foreign countries (Interview 2, 01 Aug 2016). For instance, the MUSIAD branch in Sivas organised a business trip to Dubai in 2015. This trip brought together construction companies from both countries. As my interviewee mentioned, the costs of this trip were covered by Small and Medium Enterprises Development Organisation (KOSGEB) which is an official institution of the Ministry of Science, Industry, and Technology (Interview 2, 04 Aug 2016).

Table 9: The Share of SMEs in Foreign Trade 2012-2016



Source: Author's compilation based on TUIK Statistics on SMEs, retrieved from <http://www.tuik.gov.tr/PreHaberBultenleri.do?id=21540>

This internationalisation also shifted SMEs' capital accumulation strategies towards a more profitable and international pattern. As my interviewee mentioned, a member company of MUSIAD, *Nitrocare Sivas*, which produces hospital furniture and medical equipment, attended a business trip to Egypt in 2009. This company established networks thanks to this trip and exports to more than 60 different destinations across the world (Interview 4, 04 Aug 2016). The growth of MUSIAD's role in global trade is also associated with the changing patterns of Turkish foreign trade policy after the 2008-09 global financial crisis. As detailed in Chapter IV, the share of Middle Eastern and African countries in Turkish foreign trade increased after the crisis due to declining market opportunities in the EU and US. This meant that the member firms of MUSIAD, who were already partly oriented towards Middle Eastern trade partners, were able to play a significant role in the diversification of Turkish foreign trade (Atiyas & Bakis, 2013: 11). As shown in Table 11, there are only five companies in MUSIAD which export products worth more than \$100 million in a year. However, some TUSIAD affiliates such as KOÇ Holdings' collaboration with Ford earn more than all five of these companies together. KOÇ Holdings' exports alone total \$3.9 billion

(ISO, 2016:100). As stated earlier, MUSIAD represents internationally oriented firms which produce for export, and mainly located in Anatolia. As indicated in Table 11, Çınar Boru Company produces pipes and tube fields, and steel products in Turkey, and exports them mainly to Georgia and Azerbaijan (Çınar Boru, 2018). The largest company within MUSIAD is İÇDAŞ Holding. This company is the second largest steel producer in Turkey and exports its products to more than 70 different countries (İÇDAŞ, 2017). HABAS Group is another example of an internationally oriented member of MUSIAD which produces in Turkey for export. This company produces industrial and medical gauze, steel, electrical energy, heavy machinery, and also operates seaports (HABAS, 2018). There are other companies which also produce in Turkey for export, such as Arbel Group which produces grain products, AK Gıda which produces dairy products, and Elita Gıda which produces liquid oil.

On the other hand, MUSIAD also represents transnationally operating larger firms, often based in Istanbul. As table 10 demonstrates, MUSIAD had twenty-five member firms among the top 500 biggest companies on the list compiled by the Istanbul Chambers of Industry in 2009.

Table 10: Regional Distribution of MUSIAD Members in Turkey's Top 500 Industrial Enterprises in 2008

Province	Number of Enterprises affiliated with MUSIAD
Istanbul	9
Denizli	2
Gaziantep	2
Izmir	2
Kayseri	2
Hatay	2
Samsun	2
Antalya	1
Balikesir	1
Konya	2

Source: Buğra & Savaşkan, 2014: 119

This figure indicates that the traditional distinction made by large academic circles, which is *Anatolian* versus *Istanbul Capital*, is not applicable to the analysis of business associations in Turkey. Table 11 demonstrates the locations of the MUSIAD member companies represented in the ISO Top 500 industrial companies list in Turkey in 2010 and 2016. The mentioned companies are the larger ones within MUSIAD, and mainly operate in the metals, construction, food and beverages industries. Some of these companies operate production facilities in different countries. For instance, Tosyalı Holding has wire rod and steel producing facilities in Algeria (Tosyalı, 2018), Ülker Holding has production facilities in six different countries and some of these are subcontracted to transnationally operating capital (ÜLKER Holding, 2018). Another significant example of a transnationally operating company within MUSIAD is AGT Agac San ve Tic As. This company operates in the wood industry, and produces MDF, MDF-LAM panels, and profiles in the city of Antalya in Turkey. It also exports to more than sixty different countries. It has a production facility in Tehran, Iran and engages in transnational production (AGT, 2018). Another example of this fraction is AYTAC company which produces meat and meat products. This company has a production facility in Belgium and exports to different countries in Europe, the Middle East and Central Asia (AYTAC, 2018). This means that some MUSIAD affiliates are in a way part of transnational capital.

Table 11: The List of MUSIAD Affiliated Companies in the ISO Top 500 List in 2010 & 2016

Company Name	Area of Operation	of	Ranking 2010	Ranking 2016	Export 2010 (Million\$)	Export 2016 (Million \$)
AGT Agac San. Ve Tic. As	Wooden Products and Furniture		365	164	61	81
Cinar Boru Profil San. Ve Tic. AS.	Main Metal Industry		273	273	-	-
Tosyalı Demir Celik San. AS	Main Metal Industry		132	248	123	-
ÜLKER San. AS	Çikolata and Tobacco		79	-	27	-

AYTAÇ Yatirim San. AS	Gıda	Food and Tobacco	Beverages	496	-	-	-
İÇDAŞ Çelik Enerji Tersane ve Ulasim San. AS	Main Industry	Metal		9	10	1,219	574
HABAS Tıbbi Istihsal AS	Sinai ve Gazlar Endüstrisi	Chemical, Products, and Plastic Industry	Oil and	11	-	1,065	-
Tosçelik Profil ve sac Endüstrisi AS	Main Industry	Metal		27	22	-	-
AK Gıda San. Ve tic. AS	Food and Tobacco	Beverages		39	-	30	-
Limak Çimento San. Ve Tic. AS	Construction Industry			139	221	74	11
Elita Gıda San ve Tic. Ltd.Sti	Food and Tobacco	Beverages		471	214	14	
Besler Gıda ve Kimya San. Ve Tic. AS	Food and Tobacco	Beverages		401	138	32	165
Yeşilyurt Demirçelik End ve Liman Isl. Ltd. Sti.	Main Industry	Metal		146	99	19	-
HEMA Endüstri AS	Automotive Industry			218	134	101	119
Turyag Gıda San. Ve Tic. Sti.	Food and Tobacco	Beverages		220	-	6	-
Boyçelik Metal San. Ve Tic. AS	Main Industry	Metal		288	364	23	24
TUMOSAN Motor ve Traktor San AS	Metallic Machine and Equipment	Products, and		326	259	2	3
Pamukkale Kablo San ve Tic As	Metallic Machine and Equipment	Products, and		364	343	-	77

Karadere Ürünleri Gıda San. Ve Tic. Ltd. Sti.	Tarım and Tobacco	Food and Tobacco	Beverages	388	-	-	-
Durmazlar Makina San ve Tic AS		Metallic Machine and Equipment	Products,	399	255	79	89
Arbel Hububat Tic. AS	Bakliyat San. ve Tic. AS	Food and Tobacco	Beverages	410	257	124	59
Ertaş Metal Sanayi ve Tic AS		Main Industry	Metal	418	-	5	-
Yayla San ve Nakliyat AS	Agro Gıda San ve Nakliyat AS	Food and Tobacco	Beverages	456	207	7	41
ORKA Ürünleri San ve Tic Ltd Sti	Tarım and Tobacco	Food and Tobacco	Beverages	475	-	42	-

Source: Author's compilation based on TUBIBA, 2018; ISO, 2011; MUSIAD, 2017.

In the 2000s, therefore, some fractions within MUSIAD transformed into larger capital, which can compete with the first generation of bourgeoisie represented by TUSIAD. In this period MUSIAD launched branches in many provincial cities, such as Kayseri, Gaziantep, Konya, Denizli, and Bursa. However, the share of MUSIAD companies in industrial value added is slightly lower than TUSIAD-affiliated companies. According to Lutfi Şimsek, the President of MUSIAD Konya Branch, the number of companies affiliated with MUSIAD Konya in the ISO 1000 list is 13 as of 2016 (Milliyet, 08 Aug 2016). In this period, a new regime came into force, which divided the country into six different, hierarchically organised zones based on each region's development level (Hosgor, 2016: 125). With the implementation of regional development policies, the southern and eastern regions of Turkey were encouraged to focus on labour-intensive sectors, while western regions were encouraged to focus on high value-added sectors (Ercan & Oğuz, 2015: 121). According to my interviewee in MUSIAD Sivas Branch, this new regime is disadvantageous to the provincial cities in lower-ranked zones since they are less able to benefit incentives such as reduced corporate taxes, interest and investment support, and social security premium

contributions (Interview 2, 04 Aug 2016). This, therefore, constitutes an intra-capital contradiction among MUSIAD-affiliated firms based in different regions, and between MUSIAD and TUSIAD. As stated in Chapter V, having assisted the establishment of TURKONFED, TUSIAD wants to challenge the hegemony of MUSIAD over the SMEs operating in low value-added sectors.

Another distinction between MUSIAD and TUSIAD is in the way they appropriate surplus value. MUSIAD affiliated firms employ the labour power of 1.6 million workers in Turkey (MUSIAD, 2017c). This represents a remarkable growth of firms represented by MUSIAD, but these firms have relied to a large extent on the hyper-exploitation of their workers. According to the figures published by TUIK in 2016, 59, 7% of SMEs operate in low value-added sectors (TUIK, 2016). Although MUSIAD encourages its members to focus on producing high-tech products and to create more added value (MUSIAD Ankara, 2017; MUSIAD, 2012: 112), a deeper look at the production structure of the firms represented by MUSIAD demonstrates that most of the MUSIAD members still operate in low value-added sectors like furniture, construction and services. In general, the form of surplus value appropriated by the SMEs is more brutal than that of larger-scale sectors, and paternalistic relations have become a deterministic feature in terms of regulating the social relations of production in which MUSIAD-affiliated firms engage. For instance, workers in MUSIAD-affiliated firms were less likely to sign up to collective bargaining, and these firms discouraged their workers from forming trade unions (Doğan, 2006: 54). The corrosion of labour rights is also encouraged by some firms represented by MUSIAD on the basis that there is no need for a secular labour code if working conditions are characterised by the functioning of Islamic principles (in practice, paternalism). MUSIAD also encouraged the government to make reforms which would modify capital-labour relations in ways which encourage flexible working hours and contracts (MUSIAD, 2011: 125).

As stated in Chapter III, this study understands capital as a relation, which is constituted among workers, capitalists, commodities and value (Ollman, 2003: 14). In the MUSIAD system, this process of capital-formation is expressed in patrimonial relations between capital owners and workers, longer working hours and lower

wages. In this sense, the significance of MUSIAD-affiliated firms in contributing value-added in Turkey also stems from their ability to integrate a low-skilled labour force into the production process. Since the growing labour force cannot be absorbed by capital-intensive sectors, MUSIAD-affiliated firms have emerged as a spin-off (Hosgor, 2016: 123)..

6.4. Configurations of Relations in the Power Bloc

The theoretical and methodological framework offered in this chapter is a relational approach to the state based on class struggle within both political and civil society, which was outlined in Chapter III (Poulantzas, [1978] 2000:25). In line with this approach, the relationship between the state and MUSIAD is analysed in terms of the dialectical nature of the relationship constructed in the power bloc in response to the second sub-question of this thesis, which explores the relationship between the state and MUSIAD and between MUSIAD and other business associations.

There are different factors that constrain the impact of MUSIAD in the power-bloc, which helped MUSIAD to enter into a new set of relations with the ruling fractions. As highlighted in Chapter III, class struggle does not only take place between capital and labour. It also occurs between different class forces which compete in the power bloc. This class struggle reproduces the social relations of production, including those which occur within the state (Poulantzas [1978] 2000: 37). For instance, the decentralisation of significant mechanisms that shape the power relations between capital fractions became highly important in the 1990s-2000s. The case of DEİK (Dış İlişkiler Ekonomik Kurulu, Foreign Economic Relations Board) is a case in point. DEİK was established in 1987 to strengthen the foreign economic relations of Turkish companies. This platform was initially established under the remit of TOBB. However, it was switched to the Ministry of the Economy as part of an omnibus bill in 2014, which assigned the Minister of the Economy the power to assign and dismiss the president of DEİK (Hürriyet, 29 July 2017). Consequently, the ex-president of MUSIAD, Ömer Cihad Vardan, was appointed as the president of DEİK in 2014 (Hürriyet, 30 Sep 2014). This reconfiguration of power was associated with the integration of MUSIAD into a more fundamental level of the structured relations of power, which led to hegemonic dislocations in the power bloc.

As highlighted in Chapter V, the AKP has played a mediator role between TUSIAD and the smaller fractions of capital organised under MUSIAD. The main agencies which mediate the interests of small capital within the power bloc are the Ministry of the Economy and the Ministry of Energy (Akçay, 12 Apr 2016). These apparatuses of the state are characterised by their function of mediating the economic-corporate interests of the internationally oriented smaller fractions of capital which produce for export. In line with the concrete economic policies of these ministries, MUSIAD adapted to the process of capital accumulation and contributed to sustaining its existence and reproduction. For instance, these ministries were urged by MUSIAD to take on the following tasks: implementing tight monetary policies, reducing the public debt, increasing the non-interest surplus, encouraging FDI to Turkey, promoting export-oriented growth in the manufacturing industry by increasing the entrance of cheap foreign resources and credit, utilising a cheap labour force, shifting the process of decision making based on centralisation and technocracy, and promoting the privatization of state enterprises (Akça & Özden, 09 Nov 2015). In accordance with these policies of the specific state apparatuses, MUSIAD also urged the government to foster and espouse investment-friendly policies which might mobilise foreign capital in Turkey (MUSIAD, 2011: 111). In this sense, the political and economic relations which MUSIAD expresses are materialised and embodied in these state apparatuses.

6.4.1. The Internal Relations between the AKP and MUSIAD

As stated in the Introduction to the thesis, one contribution of this thesis is its focus on the internal relations between the state and business associations. As stated in Chapter V, the relationship between the AKP governments and MUSIAD differs from the relationship between the AKP and TUSIAD because of the genesis and specificity of each association's particular class fraction (Interview 4, 17 Aug 2016). Different areas engage in capital accumulation based on different cultural, religious and traditional factors, and this leads to noticeable internal contradictions within the state structure. In accordance with this argument, this chapter contends that the rise of MUSIAD as a political agent transformed class and power relations within the power bloc (Buğra & Savaşkan, 2014: 56). With its dialectical relationship with the

state apparatuses, MUSIAD establishes and maintains its power in the process of capital accumulation, especially in the provincial cities in Anatolia.

As mentioned in Chapters IV and V, there was a crisis of hegemony within the power bloc when the AKP came to power in 2002 (Yalman, 2002: 39). The AKP was a candidate for hegemonic leadership which was able to mediate the clashing interests of different fractions of power and capital within the power bloc so as to reunite them. Following the conceptualisation provided by Poulantzas and outlined in Chapter III, the AKP can be seen as a hegemonic power which can work for the benefit of the dominant capital fractions and which is able to provide a mechanism to obtain the active consent of the working classes including conservative Muslim sections of society and the urban secular middle-classes (Özden & Beymen, 2017: 31). The AKP encouraged the big business circles represented by TUSIAD to incorporate SMEs in Anatolian cities, which, in addition to helping to resolve the hegemonic crisis, was necessary since productive capital in Turkey was on the eve of internationalisation. As argued in Chapter V, the dominant fractions in TUSIAD supported the AKP's hegemonic project. The tactical alliances and compromises between TUSIAD and MUSIAD, which were mediated by the AKP government, facilitated an increased pace of internationalisation associated with the increase in the volume of foreign trade. Following Poulantzas, I would argue that the state played a relatively autonomous role in this process. For different purposes, the various fractions organised in MUSIAD also supported this hegemonic project. In practice, the AKP government sometimes intervened in class relations by supporting MUSIAD. For example, the AKP supported the ex-president of MUSIAD in the elections for positions in DEIK (Hergün Media, 03 Oct 2014). This confirms the argument made in Chapter III that the role of the state is to organise apparatuses which are crucial for the reproduction of class and power relations.

Ahmet Bekmen claims that the AKP's coming to power represents the integration of MUSIAD and TUSKON into the power bloc (Bekmen, 2014: 62). However, following the theories of Poulantzas, this chapter argues that the AKP is not only the representative of the so-called Islamist bourgeoisie, but also the hegemonic fraction within the power bloc, which unites the different interests of different fractions of

the bourgeoisie. In this sense, it is not fair to say that the AKP only facilitated the interests of the SMEs represented by MUSIAD and TUSKON, because, as mentioned in Chapter V, the biggest ally of the AKP was the biggest fractions of the bourgeoisie represented by TUSIAD. As Poulantzas clearly argues, “the general interest represented vis-à-vis the dominant classes by the hegemonic fraction depends on the place of exploitation in the process of production” (1978: 240). As highlighted in Chapter V, it was the TUSIAD-affiliated fraction of large capitalists which most increased its capacity and material power to dominate the social relations of production in the 2000s. In terms of the material basis of the relationship between the AKP and MUSIAD, it is remarkable that the first honorary member of MUSIAD is Recep Tayyip Erdoğan. Another illustration of the organic relationship between the AKP cadres and MUSIAD-affiliated businesspeople was the number of MUSIAD-linked AKP MPs who sat in the Turkish General Assembly after the 2002 general elections. The number of the MUSIAD-affiliated MPs was eleven in the twenty-second term of the General Assembly, and seven and ten in the next two terms (Gürakar, 2016: 18). A member of MUSIAD, Omer Dincer, became Minister of National Education. Also, one of the ex-presidents of MUSIAD, Ali Bayramoğlu, was a parliamentary member of the AKP.

Confirming the mediating role of the state mentioned by Poulantzas in Chapter III, this study argues that MUSIAD, like other business associations such as TUSKON and ASKON (Anadolu Aslanlari Isadamlari Dernegi, Anatolian Lions Businessman Association),¹⁶ benefited from government incentives in the AKP era. Since earlier governments tended to exclusively favour large capital, this suggests that the relationship between MUSIAD and the AKP government has shifted the relations of power and class in the power bloc. There were also some tensions between the demands of some business associations like such as TOBB and the AKP. This might

¹⁶ASKON was established in 1988 in parallel with the rise of political Islam in Turkey (Buğra & Savaşkan, 2014: 115). It initially attempted to become an alternative organisation to MUSIAD and TOBB. This business association is usually considered as a representative of the Islamist bourgeoisie in Turkey. It shares similarities with TUSKON and MUSIAD as it is mainly composed of SMEs. However, it was unsuccessful in terms of spreading its influence over the country and influencing the policies of government. In 2009, it had less than 2000 members and branches in twelve cities. Therefore, this business association is beyond the scope of this thesis.

have been provided an opportunity for MUSIAD to replace TOBB. For instance, The AKP government, as a result of these conflicts, transferred some of the semi-public functions of TOBB to other business associations, like MUSIAD, which because MUSIAD are politically closer to the AKP government (Buğra & Savaşkan, 2014: 159).

6.4.2. Reorganising the Power Bloc through Public Administration

The political and economic agenda of the AKP at the beginning of the 2000s required a new restructuring of both relations between labour and capital and intra-capital relations within and outside the power bloc. The compromise within the power bloc was basically constructed around issues which regulated labour-capital relations and the ways in which the companies in Turkey integrate into the global relations of free trade (Hoşgör, 2011: 354). However, the AKP's favourable treatment of certain fractions of the bourgeoisie created a significant crisis of hegemony since the share of some fractions in extracting surplus value was higher than others, which created tensions between transnational fractions within TUSIAD and export-oriented fractions within MUSIAD. As mentioned in the previous chapter, some members of TUSIAD became alienated, and wiped out of the market, while some fractions within MUSIAD, such as ÜlkerGroup, Kalyoncu Group, and İÇDAŞ Holding were supported.

Following Poulantzas, this restriction of the internal functions of the state made it possible to intervene in every sphere of socioeconomic life (Poulantzas, 2000:203-204). This type of state is called as authoritarian statism by Poulantzas, as explained in Chapter III. As Poulantzas puts it clearly, in an authoritarian state:

(i) the power bloc constitutes a contradictory unity of politically dominant classes and fractions under the protection of the hegemonic fraction, (ii) the class struggle, the rivalry between the interests of these social forces, is constantly present, since these interests retain their specific character of antagonism (Poulantzas, [1968]1978: 239).

For example, MUSIAD urged the government to carry out immediate reforms in the legal system and public administration (MUSIAD, 2009: 153). This is essential as the decision-making process should be as fast as possible. Another crucial reform was encouraged in the education system. For MUSIAD, vocational training in high schools

is poor in quality which reduces the skill levels of the labour force. These reforms were taken to require a new constitution (Vardan, 2012: 135). According to a report published by MUSIAD, the education system should transform science to technology, technology to industry, and industry to trade (MUSIAD, 2017: 118). Vocational training courses conducted in partnership between the state and MUSIAD aimed to increase labour productivity and competitiveness. The aim is to promote business-state cooperation to increase the appropriation of relative surplus value by increasing the number of skilled workers (Ercan & Oğuz, 2015: 121). As predicted by Poulantzas, the state thus entered into the process of determining classes and the reproduction of ideological and economic relations through organising education (Poulantzas [1974]1975:29), in such a way as to materialise the existence and reproduction of MUSIAD-affiliated capital. In other words, the state reproduces the relations of production by reproducing the social division of labour. It is widely argued by mainstream scholars, such as (Alkan, 1998 and Öniş, 1997) that the members of MUSIAD differentiate from members of TUSIAD primarily in terms of their religious and conservative orientations. This is also upheld by the founders of MUSIAD in the claim that they are *homo Islamicus* (Islamic men or people). They claim that, unlike the Western *homo economicus*, who is selfish, egoistic and profit-seeking, *homo Islamicus* is collectivist, moral and honest (traits associated with paternalistic, trust-based business networks). The revenue of *homo Islamicus* should come from productive activities conducted in a free market, not from hoarding, speculation, gambling or destructive competition. This can be considered a different version of Max Weber's ([1930] 2001) idea of the Protestant (Calvinist) ethic as a central factor in the making of European and hence global capitalism.

In order to define the relationship between capital and labour in the context of "homo Islamicus," however, Weberian explanations seem insufficient. While MUSIAD may try to differentiate itself ideologically from capitalist value, the relations of production in the factories and in other aspects of in the circuit of capital owned by "Islamic capital" are still determined by the rules of capitalism. The main distinctive feature in the case of "Islamic Capital" is the role of religion in getting the active consent of the working classes. For instance, the workers are told that they will

get their prices before their sweat is dried, which is a general principle recommended by Islam (Durak, 2011: 68). In the 1990s, the dominant discourse held by MUSIAD-affiliated firms was based on mutual trust between the *Islamist bourgeoisie* and workers who are supposed to be hard-working and respectful to their employers (Buğra, 2002: 136). More precisely, labour strikes and any kind of collective action by workers are harshly criticised because it allegedly leads workers to terrorism or strife which is banned in Islam and reduces the feeling of solidarity between capital and labour. Hence, Islamic preachers and schoolteachers encouraged their followers and students to buy the products of these companies rather than buying from secular or non-Muslim transnational companies. This was recommended for the sake of the common good.

As hegemony is not only established in civil society, or in other words over the popular masses (Poulantzas, 1967: 68), the relationship between the AKP and MUSIAD also constructed AKP's hegemony in political society as well. Analysing the complex relationship between the AKP and MUSIAD and between MUSIAD and other business associations provides this study with an opportunity to understand how hegemony works in the case of the Turkish social formation. As mentioned in the Chapter V, the relationship between TUSIAD and the AKP which dominates the contradictions and compromises within the power bloc will be understood better by also analysing the role of MUSIAD in this context.

The compromise between the AKP and MUSIAD in the power bloc facilitated the rise of the AKP in the political realm, and MUSIAD in the economic realm (See Table 11). This, as mentioned in Chapter III, helped the AKP to win the cultural and economic consent of the subordinate classes, which was also necessary to maintain the unity of the dominant classes. As mentioned earlier, paternalist relations are dominant within the conservative business circles gathered around MUSIAD. This paternalism reproduces social relations of production by getting the active consent of the popular masses. For instance, according to Yasin Durak, the workers in MUSIAD-affiliated companies in Konya city do not see their bosses as capitalists but as a "father" or a "big brother", who pays them what they deserve and looks after them (Durak, 2011:79). In short, religion and patrimonialism are used to get the active consent of

workers and to soften the historical contradiction between bourgeoisie and proletariat.

It is in this context that the specific internal unity of the state is achieved through municipal councils or party provincial organisations. This was one mechanism used by MUSIAD in creating a space that accommodates itself inside state structures. To this end, there have been various legislative changes in the structure and organisation of municipalities in the last decade. The aim was partially conditioned by the aim of providing public procurement contracts at the local level (Gürakar, 2016:20), which MUSIAD affiliates are well-positioned to win in provincial areas. A study conducted by Gürakar (2016) demonstrates that legal amendments to the Public Procurement Law changed the power relations between different fractions of capital through rent creation and distribution mechanisms. Specifically, contracts in the construction and service sectors have usually been won by business associations who have close ties with the government and municipalities in provincial cities (and not necessarily those which are most influential at the national scale). As a result, 20% of the companies awarded with public procurement contracts during the AKP era are MUSIAD members (Gürakar, 2016: 79).

Most of the municipalities in metropolitan cities like Istanbul, Ankara, Kayseri and Bursa were governed by the AKP in recent years, and played significant economic roles (Gürakar, 2016: 20), in a manner peculiar to a specific type of state. This provided a space for the MUSIAD members which may shake the hegemonic domination of TUSIAD. The shifts in the organisation of different state institutions in the AKP era created a space for the newly emerging SMEs to capture state subsidies and public procurement contracts. As predicted in Chapter III, this demonstrates that the Turkish state is central to the reproduction of the social relations of production, which is clearly seen in the case of the relationship between the AKP municipalities and MUSIAD-affiliated firms. The role that the state plays in shaping the relations of production and mediating the contradictions between different fractions of capital can be seen in these mechanisms which redistribute wealth and create rents for particular companies. This also supports the argument advanced in Chapter III that the state is not a separate entity and is not constructed externally in relation to the

different fractions of power within both political and civil society (Bieler & Morton, 2008: 116). As Poulantzas argues, ideological relations are at the heart of the reproduction of the social relations of production (Poulantzas [1978] 2000: 28). This means the state is also involved 'in the process of extended production of capital as a social relation' (Poulantzas [1974] 1975:100). In Turkey, municipal governments also perform a mediating role between workers and capital through grassroots and charity organisations (Buğra & Savaşkan: 2014: 166). The fundamental peculiarity of this relationship is also determined by religious communities which are directly supported by the government for this purpose. As argued by Poulantzas, these foundations are the 'particular configuration of the terrain of class domination' (Poulantzas [1974]1975:27). The case of 'ENSAR Vakfı' provides a very remarkable example in that sense. This foundation has almost 160 branches in 80 different provinces. The founding members of this foundation are Ömer Dinçer, who was a former AKP minister, Kadir Topbas who was the mayor of Istanbul, Feyzullah Kırıkkık who is the former AKP mayor of Bağcılar district of Istanbul, Mustafa Açıkalin who is a former AKP MP and worked for General Secretary of Istanbul Metropolitan Municipality when Erdoğan was the mayor of Istanbul, and Ismail Bacacı who is a managing consultant for Yıldız Holding (Birgün, 19 Apr 2016). These people also have close relations with MUSIAD. There are other foundations which work with ENSAR VAKFI and the AKP government, such as TURGEV (Türkiye Gençlik ve Eğitime Hizmet Vakfı, the Foundation for Youth and Education), ÖNDER Imam Hatipliler Dernegi (the Association of Imam Hatip Students), İlim Yayma Vakfı (the Foundation for Disseminating Knowledge), and TÜGVA (Türkiye Gençlik Vakfı, the Foundation of Turkish Youth). When the concept of hegemony is applied to the relationship between the state and MUSIAD, it could be said that the dialectical relationship between MUSIAD, ENSAR Vakfı, TURGEV, İlim Yayma Vakfı, ÖNDER, TÜGVA, and the municipalities demonstrates how the ideological functionaries of the state have succeeded getting the active consent of the people, and thereby reproducing the social relations of production (Milliyet, 29 Apr 2014). On the one hand, the interests of different fractions of power and capital converge in supporting the foundations and grassroots organisations which are the main mechanism for manufacturing consent (Yaşlı, 21 Apr 2016). On the other hand, the hegemony of the regime is also

constructed through these concrete relations between the municipalities, grassroots organisations and MUSIAD (ENSAR Vakfi, 31 March 2017).

Another useful way to demonstrate the significance of municipalities in distributing public procurements at a local level is by looking at the connections between local governments and firms affiliated with MUSIAD in provincial cities in Anatolia. For instance, the firms that directly and indirectly affiliated with the AKP municipalities in Gaziantep, Denizli, Konya, Malatya and Kayseri get the lion's share of the procurement contracts which, in these areas, are mainly in the construction and infrastructure sectors (Gürakar, 2016: 101). MUSIAD-affiliated firms have played a significant role in getting the active consent of the popular masses since the public procurement contracts have given them an opportunity to provide employment for workers in these provincial cities. To this end, MUSIAD also works with İŞKUR (Turkish Employment Agency), which is the official employment agency of the state (61saat.com, 13 May 2017). In addition, there are many different state apparatuses working in collaboration with MUSIAD in order to get the active consent of the people. For instance, chambers of commerce and industry in municipal cities provide a safer space for the members of MUSIAD to integrate into the reproduction of the relations of production than the national-scale chambers dominated by TUSIAD. As these mechanisms of distribution have created new job opportunities for the workers in provincial cities, this has helped the AKP to improve its electoral performance. Universities are also important for creating employment opportunities for MUSIAD (Gazetebir, 12 May 2017). This is to say that the firms affiliated with MUSIAD are given a special role to sustain the active consent of the popular masses that was not granted to them by the previous governments. The objective of the state in creating more spaces for SMEs is to encourage them to absorb the cheap labour which is created by neoliberal adjustment policies.

6.4.3. Contradictions at the State Level

In the aftermath of the 2001 banking crisis, the structure and the legal status of the Central Bank was the most contested issue within the power bloc. MUSIAD was against the tight monetary policy implemented by the Central Bank and urged the government to abandon the independent Central Bank policy. MUSIAD stated that

the underlying reason for the 2001 banking crisis was the country's weak foreign trade performance over the last decade (MUSIAD, 2003: 61). It also stated that the deflationary policies of the government generated greater pressures on SMEs, as a result of which they called the head of Central Bank to resign (Hürriyet, 05 June 2003). On the other hand, TUSIAD was in favour of the continuation of the reform programme maintenance of tight monetary policies. It was also claimed by TUSIAD that the independence of Central Bank (a central platform of IFI-led internationalisation of finance) was the sine qua non for the recovery of the Turkish economy. In its final decision, the AKP's choice between these different demands of different fractions of Turkish capital was made in favour of TUSIAD. It was stated by the AKP that the monetary policy will be continued and normal relations with the IMF will be maintained (Akçay, 2009: 260-261). TUSIAD was sympathetic to deflationary policies and tight monetary policies, which might increase the level of FDI to Turkey, because TUSIAD had already completed its process of inward capital accumulation and was ready for the internationalisation of productive capital. This, in turn, would increase the level of absolute surplus value appropriation as well as relative surplus value. On the other hand, as MUSIAD was not yet ready for international expansion to the same extent as TUSIAD, and operated mainly in low value-added sectors, they urged the government to abandon these monetary policies (Akçay, 2009: 263). As a reflection of the monetary policy implemented in the early 2000s, the Turkish lira has increased in value. This appreciation of Turkish lira favoured those businesses which employ more labour and engage in more foreign trade and disfavoured those who employ less labour. As the appreciation of Turkish lira would decrease the cost of constant and variable capital, this policy was enthusiastically supported by TUSIAD (Ozilhan, 2003).

The State Planning Organisation and the Ministry of Treasury and Finance held a meeting with the chairmen of TOBB, MUSIAD, Turkish Exporters Assembly (TIM), the Central Bank, the Union of Participation Banks, the Chairmen of the Capital Markets Board, and the Banking Regulation and Supervision Agency just after the 2008 crisis. This meeting formed a consensus among the different capital fractions (Hürriyet, 06 Nov 2009). To conciliate the contradictions between capital fractions, the state has

played a mediator role. As argued by Poulantzas, the role that state played in this period was vital because the global financial crisis had created a crisis of hegemony within the power bloc. There was finally an agreement between TUSIAD and MUSIAD, in favour of structural adjustment reforms.

The class contradictions and power struggles between TUSIAD and MUSIAD also crystallised in the organisational structure of the Istanbul Chamber of Commerce and Istanbul Chamber of Industry. These two chambers have always been a site of struggle as more than 400,000 companies are registered with the Istanbul Chamber of Commerce which is the largest chamber in Europe, and almost 18,000 companies are registered with the Istanbul Chambers of Industry (ITO, İstanbul Ticaret Odası). The share of these companies in Turkish foreign trade was 21.3% in 2015 (ISO, 2017). These two largest chambers are also important in terms of influencing the government as they are important tools for business groups to attract state support. In this sense, the elections for positions within the chambers often reflect a clash of interests between business associations.

MUSIAD and TUSKON have gained a considerable influence within the organisational structure of the Istanbul Chamber of Commerce. In 2009, Murat Yalcintas, who is a charter member of the AKP and vice-president of the AKP Istanbul organisation, was elected as the President of the Istanbul Chamber of Commerce with a narrow majority of 133 votes out of 254. As a result of the negotiations between business associations, Murat Sungurlu, who was perceived as the candidate of TUSKON, was transferred to Yalcintas' list and stepped down from his candidacy. There were also 7 MUSIAD members on Yalcintas' electoral list for the executive board (Sönmez, 2010: 59). As a result, the executive board of the chamber became a coalition between MUSIAD, TUSKON and the government (Duran, 29 May 2013). In the same year, Tanil Kucuk, who was known to be close to the TUSIAD circles, was elected as the president of Istanbul Chambers of Industry (Sönmez, 2010: 59). As a result of the different strategies of different business associations in relation to free trade, there was also a contradiction within the power bloc among different capital fractions in terms of the renewal of the standby agreement with the IMF in the aftermath of the 2008-9 global financial crisis. On this issue, MUSIAD encouraged the government not

to renew the agreement but to have a flexible credit position and abandon tight monetary controls so as to finance increased spending, which would allow it to increase foreign trade subsidies, reduce the costs of social security spending, and finance a tax reduction for industrialists. The president of MUSIAD, Omer Cihad Vardan, stated that the government should not retreat from investments which could potentially provide new investment opportunities for SMEs (Vardan, 2012: 129). Vardan also stated that if MUSIAD did not take a critical stance against the renewal of the IMF standby agreement, the government would have signed it (Hürriyet, 27 Apr 2012). Another proposal of MUSIAD was to keep interest rates low. The group also encouraged the government to implement incentives in export-oriented sectors like energy and technology (Ergüder, 2016: 23). On the other hand, there was a strong argument made by Ali Babacan, Mehmet Simsek and TUSIAD circles that Turkey needed to adapt its economy in accordance with the IMF suggestions. While TUSIAD adopted an institutionalist position, MUSIAD lobbied for a greater degree of institutional intervention than TUSIAD recommended. Also, to increase its market share and differentiate its foreign trade destinations, MUSIAD launched 21 different branches in many European countries including France, Germany, Netherlands, Ukraine, Belarus, Denmark, Hungary, Romania, Macedonia and the UK (MUSIAD, 2017d).

Considering the structural contradictions between capitalist companies, different fractions of capital had both common and differentiated demands in terms of capital accumulation after the 2008-9 global financial crisis (Ergüder, 2016: 20). The contradictions between TUSIAD and MUSIAD after the 2008-9 global financial crisis were based on the ways in which they accumulate capital. As a result of the crisis, the differences between the levels of internationalisation and the ways in which the two class fractions internalise the interests of transnational capital, in other words, their variable accumulation capacities, became more visible. In this period, TUSIAD was more transnational than MUSIAD, and TUSIAD moved from extracting absolute surplus value towards relative surplus value.

Relating to this contradiction at the production level, another contradiction came to the surface over the educational reform proposed by the AKP in 2012. The proposal

of the government was basically to increase the length of compulsory education to twelve years, and divide it into three four-year periods (Bekmen, 2014: 66). TUSIAD's main counterargument to this proposition was that this reform would increase the rate of dropouts, especially among girls. This, as TUSIAD argues, would decrease the level of well-qualified and high-skilled human resources. On the other hand, MUSIAD's main argument was that this reform would allow students to attend vocational high schools after the first four years of education. It is notable in this context that most of the firms in MUSIAD are based on appropriating surplus value from assembly production (MUSIAD, 2009: 177), which makes Turkey, as mentioned in Chapter IV, a regional hub for assembly production. MUSIAD, therefore, wanted to ensure the reproduction of labour power and the means of labour. Through this lens, the long-term interests of the bourgeoisie in general are always ensured and mediated by the state. As long as the hegemonic fraction (the AKP) manages to represent the general common interest of the dominant classes by using the institutional power of the state, the contradictory interests of the different fractions do not erode the continuity of the hegemonic project.

6.5. MUSIAD and Free Trade

As argued in Chapter II, the global expansion of free trade relations meant that capital can no longer be realised inside a single capitalist social formation (Palloix, 1975: 20). This necessitated the integration of different spaces and sectors into the global realisation of capital. Considering the related dynamics simultaneously, this section argues that the global expansion of capital affiliated with MUSIAD is a direct result of the shift in the mode of capital accumulation on a world scale. Integration into global relations of free trade has always been a target for MUSIAD since its establishment (Baskan, 2010: 404). As the ex-president of MUSIAD, Omer Cihad Vardan, puts it:

The main purpose of MUSIAD has always been promoting the economic stability and democratic institutions of the country. This is vital to achieve a global set of values regarding the international rules of free trade and development (Vardan, 2012: 67).

Accordingly, MUSIAD established the Foreign Relations Board which deals with the international activities of MUSIAD members (MUSIAD, 2017a). The purpose of this

board, according to Vardan, is firstly to educate entrepreneurs on how to get a visa, and secondly to encourage businesspeople to invest in foreign countries. These businesspeople are then expected to transfer technology to the home country. In other words, they learn how to engage in international free trade. Another mechanism that provided opportunities for MUSIAD members to operate in global free trade system is through FTAs and international business forums. This mechanism is also used by TUSKON, which will be detailed in the next chapter. For this purpose, MUSIAD organises regional business forums with members of the Organisation of Islamic Countries (OIC) (MUSIAD, 2011: 120). The first attempt to form such links was made in 2011 in Jordan, which brought 100 firms together. In this business forum, representatives of SMEs from Turkey met their counterparts from Jordan, Saudi Arabia, Pakistan, Egypt, Palestine and other countries in the region (Gidavitrini, 20 May 2011). During these trips, MUSIAD also organises meetings with government authorities in foreign countries, and among business people, and the Turkish Minister of Foreign Trade sometimes attends as a speaker and honorary guest.

As detailed in Chapter IV, during the process of internationalisation of Turkish capital in the 1980s, the state adopted more export-oriented policies to integrate into the global economy. At the core of this integration was the insistent TUSIAD demand for deeper integration into global free trade relations so as to promote the interests in its own members in scaling-up their participation in value production. As discussed above, the largest TUSIAD-linked holding companies were also the major winners from this shift in the process of capital accumulation. However, the process also created various opportunities for the capital fraction organised in MUSIAD (Hoşgör, 2011: 344). Since this is not a unidirectional relationship, the reproduction of the SMEs also depended on the class struggle in the social formation (Poulantzas [1974]1975:30). Confirming Poulantzas' theory, the activities and reproduction of MUSIAD members are not constructed exclusively in relation to the activities of TUSIAD. Rather, their accumulation process reflects the class struggle between different capital fractions.

6.5.1. The Defining Role of Uneven and Combined Development

The global shift in the space of production transformed intra-class and inter-class relations in Turkey as the international movement of capital stimulates a simultaneous internal process (Palloix, 1975: 23). During this period, there were serious structural changes in capital-labour relations in Turkey. For instance, the role that Turkey started to play in global capitalism necessitated the proletarianization of the labour force in rural areas (Bekmen & Özden, 08 May 2016). This demonstrates that free trade not only creates new mechanisms for creating surplus value but also changes the internal dynamics in each national social formation. As mentioned in the previous chapters, the rise of big capital in Turkey was mediated through ISI policies and state subsidies, which helped the bigger fractions of capital represented by TUSIAD to establish hegemony over the smaller fractions of Turkish capital. This meant that the place of MUSIAD affiliated firms was readjusted in an uneven way.

As discussed in Chapters II and IV, the development of capitalism is not a linear progress, and the uneven development of different sectors determines the ways in which capital expands and integrates into the global relations of free trade. U&CD particularly determines the means of capital accumulation in the late capitalist countries like Turkey. While TUSIAD in some ways resembles similar capital fractions in advanced countries, the uneven and combined character of Turkish capitalism is much more visible when it comes to analysing MUSIAD. As explored in Chapter IV, the monopoly position of big capital slowed down the process the development of smaller fractions of capital. This has led the dependency of these fractions on financial capital to speed up the process of development. The Organised Industrial Districts in most of the bigger Anatolian provinces and the changing power dynamics within the power bloc have provided an opportunity to these capital fractions to grow and increase their ability to accumulate more capital and engage in the total circuit of capital (Özden & Beymen, 2017: 190). Accordingly, there has been an increase in the share of provincial cities in total exports from Turkey. For instance, the share of exports from Konya, Denizli, Kayseri, Kahramanmaraş and Denizli (in which MUSIAD and TUSKON have been more active and have increased their memberships) increased from 3.40% in 1996 to 7.84% in 2012 (Buğra & Savaşkan, 2014: 155).

As stated in Chapter II, unevenness is not only created between countries and regions but also within national industries and companies (Kiely, 2010: 168). In the late 1990s, Turkey has experienced internationalisation of productive capital, and some fractions within MUSIAD integrated themselves into this global process, while others were eliminated because of their scales and patterns of capital accumulation. This, therefore, created a process of fragmentation within MUSIAD (Sönmez, 2010: 98). On the one hand, there was the traditional petty bourgeoisie, such as artisans and craftsmen, who grew with the help of incentive policies implemented by the governments. On the other hand, there were construction companies which worked with the municipal governments ruled by political Islamist parties, and relied heavily on government contracts. These SMEs were basically located in organised industrial zones in Anatolian provinces (Demir & Acar & Toprak, 2004: 169). This group was differentiated from the smaller fractions within MUSIAD, as they were willing to integrate into the global relations of free trade, cooperate with the national and international big bourgeoisie in order to grow faster, and ready to enter into sectors from which the government retreated through privatization policies (Doğan, 2006: 59). This relatively bigger fraction in MUSIAD stated that the smaller companies within MUSIAD should be removed from membership as they were not able to play in the bigger leagues (Özdemir, 2006:157).

Despite the increase in the engagement of provincial cities in the relations of production and global free trade relations, these provincial cities have not grown at the expense of metropolitan cities like Istanbul, Bursa and Izmir. It is still the case that the main winners from global integration were big capital groups in metropolitan cities. However, the profits of SMEs in provincial cities also significantly increased (Hosgor, 2016: 121). This means that the provincial cities in which MUSIAD and TUSKON are primarily active are becoming relatively more significant, at the same time that metropolitan cities are becoming more integrated. Among other things, metropolitan cities like Istanbul have become the centres of financial activities while the base of production has shifted towards provincial cities. It should also be remembered, as mentioned in Chapter V, that most of the bigger companies in

TUSIAD expanded their base of production towards countries in the Middle East and China since the cost of production is much cheaper than in Turkey.

6.5.2. Internationalisation of Capital and Integration into Global Free Trade Relations

The paths of integration into the global free trade system which MUSIAD-affiliated firms follow are distinct from those of the larger, TUSIAD-affiliated fractions. To take an example, the internationalisation of money capital in the 1990s attracted Saudi and Gulf capital flows into Turkey, which created determinate conjunctures in its struggle between TUSIAD and MUSIAD. This capital provided credit opportunities for SMEs, which helped them to mobilise and concentrate their capital. This allowed them to adopt new strategies because they were excluded at the time from the credit system regulated by the government. Alternatively, they established 'new private financial institutions', which were mainly interest-free Islamic banks. The widely known examples established in the 1980s were Anadolu Finans, Ihlas Finans, Asya Finans (Bank Asya¹⁷), and some financial institutions led by Arabic capital, such as Al Baraka, Faysal Finance, and Kuveyt Evkaf (Öztürk, 2011: 161). These banks provided a solid amount of capital for MUSIAD affiliates to further expand in the 2000s. In this way, smaller fractions of Turkish capital operating mainly in the textile, construction and service sectors got a chance to connect with transnational companies and integrate into the global free trade relations. Accordingly, the government encouraged smaller firms to expand in different markets in the Middle East and Africa (Hürriyet, 08 July 2017). As a strategy, these smaller fractions of Turkish capital targeted sectors that do not require long-term or risky operations, high-tech investments or skilled labour. Alternatively, they preferred to operate in sectors where cash flows swiftly and securely, for instance, tourism, construction, and retail (Hoşgör, 2016: 122). These sectors flourished as a result of the export-oriented strategy in the aftermath of the transition to neoliberalism. As these small companies mainly concentrated in labour-intensive sectors, they also became subcontractors for the bigger fractions of Turkish and transnational capital (Hoşgör, 2011: 345). For instance, construction companies engaged in free trade by exporting construction

¹⁷This association is affiliated with the Gülen Movement and will be detailed in the next chapter.

materials to foreign countries. These companies also engaged in transnational relations of production through foreign direct investments in various countries. For instance, Karmod Prefabricated Building Technologies Company carries out construction projects in 90 different countries (Karmod, 2018).

MUSIAD also launched International Business Forums in this period and organised business trips to the USA, Germany, the UK, South Africa, Malaysia, Sudan, Russia and many other countries (Vardan, 2012: 59). MUSIAD organises international trade fairs, conferences and trips; encourages Turkish citizens living abroad to work with their member firms; and establishes global networks with Muslim merchants which generate joint venture investment opportunities for the smaller firms on both sides. This is to say that MUSIAD helps its members to expand towards new markets and integrate into relations of global free trade. This demonstrates how MUSIAD, as representative of different fractions of class, mediates the consolidation and survival of the small business class.

This shift in the patterns of the relations of production, or in other words, the transnationalisation of production, forced transnational companies to divide the process of production into segments in countries like Turkey (Hart-Landsberg, 2013: 83). In these circumstances, MUSIAD members integrated themselves into the changing dynamics of global relations of free trade. As they could produce at lower wages than western companies, they became easily adapted to the situation. Most of the firms represented by MUSIAD have a higher share in producing relatively low-tech products, and in industries in which labour productivity depends on lower wages and long working hours (Atiyas & Bakis, 2013: 9). This demonstrates, as highlighted in Chapter II, how free trade increases the value of variable capital (Marx & Engels, 1894: 237), by increasing the appropriation of absolute surplus value.

Although the export-oriented strategy was not designed to favour the SMEs organised in MUSIAD, they have supported this process of export-oriented internationalisation due to the effects it has in terms of reduction of real wages, social security reforms and legislation promoting sub-contracting (Akça, 2014:31). As Poulantzas would predict, this does not mean that the contradictions between TUSIAD and MUSIAD disappeared, but it does demonstrate how the AKP managed to

unite the different interests of different fractions of capital. The integration of MUSIAD-affiliated companies into the global relations of free trade required them to internalise the domestic structure of production and its forms of surplus value extraction. This required them to increase their appropriation of relative surplus value as well as absolute surplus value. As a result, the capital groups organised in MUSIAD which have previously concentrated on extracting absolute surplus value will have to reorient their process of production towards the appropriation of relative surplus value through technology transfer. To this end, MUSIAD educates its members how to obtain passports, how to go abroad, and how to participate in international fairs (Hürriyet, 04 Oct 2017). The case of the furniture sector is typical of the integration of SMEs into global relations of free trade. For instance, the member firms of MUSIAD have achieved a \$3.4 billion export figure in furniture industry (Hürriyet, 04 Oct 2017).

6.6. Conclusion

This chapter examined the role of MUSIAD in global relations of free trade, and more precisely, uncovered the dialectical relationship between MUSIAD and the state, which is reflected in the Turkish social formation. The chapter argued that the unevenness between TUSIAD and MUSIAD arises from the expansion of global free trade, which has generated enormous imbalances between and within different fractions of capital as well as in the spatial effects of the international process of accumulation. The chapter highlighted the hegemonic framework which reduces the contradictions and tensions between MUSIAD and TUSIAD to conflicts among sects and cultures and ignores the class-based nature of the conflict. In other words, neither the institutionalists nor the neoclassical-liberal approaches take sufficient account of class-based socio-political relations of production. In their examinations of MUSIAD, the focus on religious and cultural elements takes place at the expense of understanding its capitalist institutionalisation, and these hegemonic approaches refuse to take notice of the class-based activities of SMEs organised in MUSIAD and the connections between these social relations of production and the state. They also treat business associations and the state as engaged in purely external relations,

which leads them to ignore the dialectical relationships within the state and between the capital fractions in the dominant power bloc.

Although MUSIAD occupies a very significant place in the ideological and political structure, this chapter suggested that the main distinction between TUSIAD and MUSIAD is more material than ideological. What differentiates this Marxist approach from mainstream approach is the analytical priority accorded to class as a relation and process, and additionally, the understanding of ideology as a constituent part in the process of reproduction of social relations of production, which is important to mediate class relations, rather than as a simple matter of religious or political belief. This chapter also examined the activities of MUSIAD within and outside the power bloc. It argued that most of the firms represented by MUSIAD are SMEs which are mainly based in local provinces and were not ready for integration into global relations of free trade until the end of the 1990s. It is also revealed that there are three different fractions within MUSIAD. The first is nationally oriented capital fractions which produce in Turkey for the domestic market. The second fraction, which is the dominant one, is the internationally oriented fraction which produce in Turkey for export. The third fraction is the transnationally operating grouping, which produces in different countries.

The chapter further argued that mainstream approaches explain the role of the state and the contradictions among capital fractions through the institutional power of the state or the power of state elites. In contrast to such mainstream approaches, this chapter suggested that neither the institutional approach, which cannot go beyond merely focusing on the rise of political Islam and the development of peripheral spaces, nor the liberal-neoclassical approaches inspired by the dualism between capital and the state, provide adequate explanations for the emergence and development of MUSIAD. Following the methodological and theoretical premises mentioned in the previous chapters, this chapter reconsidered the class characteristics of MUSIAD as a capital fraction, its role in the social relations of production, and the shifting patterns of relations between the state and MUSIAD. It argued that the capital groups within MUSIAD meet the requirements of capital accumulation and expansion with its structural power stemming from being capital.

As mentioned in the previous chapters, the transnational expansion of capital and the shift in the base of production increased the extent to which SMEs integrate into global relations of capital accumulation, a situation which has led to the emergence of new structural and institutional forces governing the relations between capital and the state apparatuses. In this regard, dividing the process of production into different sub-processes and places became essential for the reproduction of capitalist relations. As a result, the base of production was shifted towards provincial cities where MUSIAD-affiliated firms are able to exploit flexible working conditions and lower wages. This means that smaller fractions of capital had the chance to use labour power more efficiently because of the lower costs and patronage relations in the provincial cities. This was supported by vocational training courses provided by the AKP government and cooperation between religious foundations and MUSIAD. This chapter, therefore, argued that the rise of MUSIAD changed capital-labour relations in Turkey.

The chapter argued that, in line with Poulantzas' predictions, the AKP is a hegemonic power which works for the benefit of the dominant capital fractions and is also able to provide a mechanism to win the active consent of the working classes including Muslim-conservative sections of society and the urban secular middle-classes. As part of this hegemonic strategy, MUSIAD is given a special role to sustain the active consent of the popular masses that was not granted to them by the previous governments. In the same period, the state regulated capital-labour relations through implementing policy reforms encouraged by TUSIAD, MUSIAD, and the international financial institutions in the post-2001 period. However, TUSIAD and MUSIAD favoured different strategies which reflected their different positions within unevenly developed capitalism, with MUSIAD supporting a more interventionist approach and greater deviance from neoliberal orthodoxies compared to TUSIAD. This was seen in the struggle to influence of the state apparatuses in various policy areas such as the independence of the Central Bank, the relationship to the IMF, and education reform. While TUSIAD dominated the political decision-making process with its influence on ministries, bureaucrats and MPs, MUSIAD sought means to challenge this hegemony of TUSIAD. The specific state apparatuses, such as the

Ministry of the Economy and Foreign Trade, became a field of contestation in this sense, which helped MUSIAD affiliates to get tax expansions, import-export permissions and investment incentives.

To conclude, as mentioned in the first chapter, unevenly developed states are brought into global relations of free trade in different ways. The last two chapters have analysed how the Turkish state responded to the developments in the global capitalist system, and in which ways the largest fractions of Turkish capital, TUSIAD and MUSIAD, have internalised these relations. The next chapter, which is the last empirical chapter, explores how TUSKON, as a representative of certain class fractions, engages in global relations of free trade. Further to that, the next chapter will also examine the role of TUSKON in examining the tensions and contradictions within the power bloc, which changed the power relations among business associations engaging in global free trade relations, and how it changed the class relations within the structures of the state.

7. Chapter VII: TUSKON, the State and Free Trade

7.1. Introduction

This chapter examines the place of TUSKON (Turkish Confederation of Businessmen and Industrialists, Turk Sanayici ve Is Adamlari Konfederasyonu) in the social relations of production in Turkey. Accordingly, the chapter analyses the role of TUSKON in the state structure, and in international free trade relations. The chapter draws the lines of demarcations and cleavages between TUSKON, MUSIAD and TUSIAD, which also involved contradictions among fractions of capital. It argues that the contradictions cannot be grasped exclusively in terms of the religious and cultural cleavages among the business associations. As outlined in the introduction to this thesis, and contrary to mainstream approaches, the theoretical priority of this chapter is to show the dialectical relationship between business associations and the state, and the relationship between global free trade relations and the firms affiliated with TUSKON. Rather than reducing the particular positions of different class forces to their religious and cultural positions, this chapter examines such positions through an empirical analysis based on the relations of production, exchange and reproduction.

The first section focuses on the social relations of production to map out and define the class characteristics of TUSKON-affiliated companies in response to the first sub-question of the thesis. In relation to this, the section outlines the historical development of TUSKON, and the ways in which the companies affiliated with TUSKON engage in the processes of production, exchange and reproduction. Following the theoretical arguments of the U&CD approach, the section examines the sectoral and regional unevenness between TUSKON and the larger capital fractions represented by TUSIAD. With reference to the previous chapters, this analysis attempts to grasp the differences between TUSKON and other business associations in terms of the way they engage in capital accumulation process and interact with the state apparatuses. Accordingly, the following section examines the role of TUSKON-affiliated companies and Gülenists in the power bloc in response to the second sub-question of the thesis. It investigates the class struggle between different fractions of capital represented by different business associations. It also uncovers the dialectical relations between the state apparatuses and TUSKON-affiliated capital. The final

section mostly focuses on the ways in which TUSKON-affiliated capital integrates into global relations of free trade in response to the third sub-question of the thesis. The section also examines the functions of schools funded by TUSKON-affiliated companies and the effectiveness of the trade bridges and conferences organised by TUSKON. It concludes with a final analysis in the last section.

7.2. The Material Basis of TUSKON

This section aims to grasp what makes TUSKON distinctive in comparison with the other, larger associations explored in the previous chapters. According to Buğra & Savaşkan, what differentiates TUSKON from MUSIAD and TUSIAD is “the nature of the role they play in shaping, rather than merely representing, the interest of their members” (2014: 110). Along similar lines, mainstream scholars argue that the main motivation behind the rise of TUSKON is spirituality rather than any material factor (Kurt et al, 2016: 696). However, as stated in the previous chapter, this underestimates the importance of the class-based character of this business association and does not explicitly delineate the real differences between the three business associations. These differences can hardly be reduced to ideological and religious dynamics. As stated in Chapter III, the institutional materiality of the relations between the state and capital are based on the political, economic and ideological dimensions of capitalist social relations (Poulantzas, [1974] 1975: 201). These business associations should, therefore, be characterised in terms of the nature of their relationship with the state apparatus, and by their ability to use their networks of resources to establish connections between different sizes of companies operating in different sectors and engaging in global relations of free trade.

The first fundamental difference between TUSKON and the other business associations can be seen in their specific form of surplus value appropriation. As argued in Chapter VI, members of TUSKON and MUSIAD focused on appropriating absolute surplus value while members of TUSIAD focus on extracting relative surplus value. The second difference relates to its unique style of action at the state level. Prior to the 17-25 December events, TUSKON was more powerful than MUSIAD and TUSIAD in most of the state apparatuses because of their affiliation with Gülenists which provided them with a capacity to make different manoeuvres. As stated in

Chapter VI, TUSIAD was critical to the government's municipal spending, which gave MUSIAD and TUSKON members more space to operate. Whereas TUSIAD advocated the IMF stand-by agreement in 2008, TUSKON and MUSIAD stood a critical stance against the IMF proposal which insisted on the autonomy of tax administration, restraints on public spending on infrastructure, the transfer of funds to municipal governments, and enhanced transparency of municipal spending decisions. The third difference lies in the historical development of capital accumulation process. While most of the members of TUSIAD operated in the international market, most members of MUSIAD and TUSKON produced on a national scale in the 1990s. As soon as they completed the capital accumulation process inside the country in the early 2000s, they expanded in the international market in different ways. They further developed multiple relationships as means to integrate into global relations of free trade. The strategic export targets for TUSKON members were mainly non-OECD countries (Buğra & Savaşkan, 2014: 134) and especially Central Asian and African countries. These main differences will be examined in detail through the chapter.

7.2.1. The Historical Development of TUSKON

TUSKON, in the same way as MUSIAD, emerged and developed in parallel with the rise of political Islam in Turkey (Buğra & Savaşkan, 2014:109). This period, as stated in the previous chapters, coincides with the internationalisation of commodity capital in the post-1980 period. What characterises this phase is the dominance of export-oriented foreign trade policy. Although the roots of TUSKON dates to the 1990s, its effectiveness was then quite limited in terms of effective representation of its members' interests. TUSKON had a very specific focus on foreign trade after it was formally established in 2005 (Atli, 2011: 117). In fact, the emergence of TUSKON represents the establishment of new contacts between SMEs in Anatolian provinces and international entrepreneurs (Bacik, 2011:156). The case of TUSKON is also important since the nature of the relationship between TUSKON and other interest groups in the power bloc created new mechanisms for the specific reconfiguration of power and class relations. This means the emergence of TUSKON led to the polarisation of the business environment (Buğra & Savaşkan, 2014:13) as it entered as a new and important player in the social relations of production.

Looking at the historical development of TUSKON, the first business association affiliated with Gülen Movement (GM) was ISHAD (İs Hayati Yardimlasma Derneği, the Association for Solidarity in Business Life), which was established in 1993. ISHAD was a key federation to foster the business ties of companies which are affiliated with the GM. This organisation was responsible for providing funding for companies willing to invest (Gozaydin, 2009:1219). Afterwards, this association initiated the establishment of several local business associations. Those operating in Marmara Region gathered together under the name of MARIFED (Marmara İs Hayati Dernekleri Federasyonu, Marmara Federation of Business Association) in 2004, creating the first regional federation established prior to TUSKON (Hendrick, 2013:165). In addition to this, MARIFED and ESIDEF (Ege ve Bati Akdeniz Sanayici ve İsadamlari Dernekleri Federasyonu, Federation of Aegean and West Mediterranean Industrialists and Businessmen) had the largest number of members among the seven different federations constituting TUSKON in 2012 (Buğra & Savaşkan, 2014:124). This same process happened in other geographical regions as well. This eventually resulted in the formation of TUSKON in 2005.

Table 12: Regional Distribution of TUSKON-affiliated Business Associations

Federations	Number of Business Associations Brought Together under the Name of TUSKON
MARIFED	35
ESIDEF	35
ANFED (Federation of Anatolian Businessmen Associations Anadolu İs Adamlari Federasyonu)	23

ANSIFED	16
(Federation of Anatolian Businessmen and Industrialists Association, Anadolu Sanayici ve Is Adamlari Dernekleri Federasyonu)	
KASIF	21
(Karadeniz Federation of Businessmen and Industrialist's Association, Karadeniz Sanayici ve Isadamlari Dernekleri Federasyonu)	
GUNSI AF	35
(Federation of Businessmen and Industrialist's Association in South-East Anatolia Region, Guneydogu Sanayici ve Isadamlari dErnekleri Federasyonu)	
DASIDEF	17
(Federation of Businessmen and Industrialist's Association in East Anatolia Region, Dogu Anadolu Sanayici ve Isadamlari Dernekleri Federasyonu)	

Source: Buğra & Savaşkan, 2014: 123.

7.2.2. The Gülen Movement and TUSKON

The GM (currently referred to FETO – the Fethullah Gülen Terror Organisation) emerged in the 1970s, flourished after the military intervention in the 1980s, and has been very influential in the 1990s. After many trade unions and leftist organisations had been crushed, the GM found a conducive environment to grow faster and to get strategic positions in the state structures in the post-1980 period (Buğra & Savaşkan, 2014: 112). Arguing from within a liberal approach, Hakan Yavuz defines the emergence of GM as a reformist interpretation of Islam and argues that Gülen expanded the public sphere and opened it to the large sections of the masses who were neglected by the Kemalist regime (Yavuz, 2013:7). He also argues that GM is the main forces of modernization in the Turkish state and society (Yavuz, 2013: 20) and

stresses out that Gülen has been more successful than the secular scholars in terms of promoting the idea of Enlightenment. For Yavuz, the most important thing which promoted enlightenment in the case of Turkey is the Anatolian bourgeoisie. These newly emerged societal actors, according to Yavuz, expanded the political and legal space for the development of commerce. As it was essential for the larger masses engaged in the public sphere to financially support themselves, the *Anatolian Tigers* filled this gap (Yavuz, 2013:9). Accordingly, the industrial activities of TUSKON, or the means of capital accumulation, are shaped and directed by Gülen in the last instance (Buğra & Savaşkan, 2012: 43).

Although the material texture of the power struggle within different domains is similar, it differentiates according to the organisation of the bourgeoisie and intellectuals (Poulantzas 2000: 61). In the case of TUSKON, the leadership achieved its hegemony by developing close links with the intellectuals and the state personnel. According to Buğra and Savaşkan, the power of TUSKON stems from the bonds of cooperation and solidarity which the GM provides at national and international level (2014: 133). TUSKON ensured their support by integrating them into the ideological and strategic positions of the GM. For instance, it attached them to the Abant Platform which is a discussion platform which brought Turkey's most famous journalists, academics, and public intellectuals together (Cavdar, 2014:9). Apart from this, it had a variety of different mechanisms to obtain the active consent of the popular masses through its organisations such as dershanes (private prep schools), charity organisations, the Turkish Olympics and so on. These organisations and institutions were utilized to control the masses, deepen the contradictions among the working classes and make the masses dependent on the regime. To this end, TUSKON, MUSIAD, and some trade unions which have close relations with the government published a full-page message in national newspapers to call on the protestors in Gezi Park to end the protest in 2013 (Gürcan, 2015: 335).

To a considerable extent, the GM played a decisive role in organising hegemony through their instrumental apparatuses such as media organs. It used to control one of the largest media conglomeration in Turkey; the largest newspapers including Zaman, Bugun, and Today's Zaman; TV channels such as Samanyolu, S. Haber,

Mehtap, Ebru, Yumurcak, and Hazar; radio stations like Burc FM and Dünya Radyo; an international news agency which is called Cihan; publishing companies such as Isik Publishing, Nil, Kaynak, and Blue Dome; and a number of periodical journals including Sizinti, The Fountain, Yagmur, Ekoloji, Yeni Umit, Aksiyon, and Gonca. Gazeteciler ve Yazarlar Vakfi (The Foundation of Journalists and Writers) was an important space for influencing the media and public opinion. The clearest reflection of the dialectical relationship between the media and GM can be found in the institutional partnership between Today's Zaman and TUSKON. For instance, this newspaper publishes a section advertising the activities of TUSKON members around the world (Hendrick, 2013:190).

7.3. Social Relations of Production and TUSKON

The primary purpose of this section is to grasp how the member firms of TUSKON engage in production, exchange and reproduction processes in response to the first sub-question of the thesis which explores the class characteristics of TUSKON-affiliated companies. In other words, in order to analyse the reconfiguration of the interests of capital groups organised within TUSKON, it is important to examine the presence of TUSKON-affiliated firms in the total circuit of capital. This section assesses the operations of TUSKON in a wider relational matrix since the transnational networks of the firms affiliated with TUSKON were constructed from not only a religious and ideological but also from an economic perspective.

7.3.1. Mapping the Members of TUSKON

The capital accumulation process of TUSKON-affiliated firms started in the 1990s when municipalities in the big metropolises like Istanbul and Ankara were captured by political Islamist parties. Although the exact comparative and associational statistics are impossible to find because of the latest political developments in Turkey, the sizes of members affiliated with TUSKON are diverse. Although there are larger members or various members with different scales and scopes in TUSKON, like Orkide, Boydak, Ipek-Koza and ÜlkerGroup, most of the firms are SMEs operating in textiles, construction and services.

This chapter argues that there are three different fractions of capital represented within TUSKON. The first fraction consists of nationally oriented companies which

invest mainly in the education, media, and health and construction sectors. For instance, Feza Publications Inc. was a media conglomerate which was the owner of the Cihan News Agency, the daily newspaper Zaman, Samanyolu TV channel and many other media concerns. The education sector was also a strategic field for the GM and TUSKON as it was very influential in private teaching in Turkey (Gürel, 2015:36). The organisation owned 210 private schools, 460 private teaching houses, 13 universities and tens of thousands of university preparatory courses. To illustrate the scale of penetration of the education sector, 967 out of 3667 private teaching institutions were owned by the Gülenists in 2013, which is equivalent to 25% of private teaching institutions in Turkey (ODA TV, 18 Dec 2013). Another section within the nationally oriented fraction is trading and construction companies which are directly supported by the municipalities in their process of capital accumulation, relying mainly on government contracts in the same manner as MUSIAD-affiliated construction firms. This section is dependent on cheap labour and intends to invest in the international market at a later stage. Aydinli İnsaat, Dumankaya İnsaat, Eroglu Gayrimenkul, Inanlar Company, Cikrikcioglu Company, Paralel Yapi İnsaat, Durmazlar İnsaat, and Fi Yapi are the larger companies in TUSKON which mostly operate in the construction and real estate sectors (Karar, 12 March 2018).

The second fraction are internationally-operating capital groups which mostly produce in Turkey for export. Table 13 lists some of the larger groups in TUSKON. They mainly operate in the iron and steel, copper mining, wooden products, sugar refinery, furniture, textiles, goods, tobacco and beverages sectors. NAKSAN Holding, Orkide Group, Akfel Holding, Abaloğlu, and Ekinciler Holding are the most important TUSKON affiliates in terms of their integration in global free trade. In particular, NAKSAN Holding¹⁸, which is a company from Gaziantep, a southern province of Turkey, operates in different sectors such as energy, plastic packaging, logistics, textiles and technology. This company exports to more than 140 countries and has over 7000 employees. It owns two companies in the 500 biggest companies list in Turkey which are Naksan Plastik and Royal Hali. This company has also purchased

¹⁸This company declared that they suspended their membership in TUSKON in 2015 (Capital, 10 Nov 2015).

some global brands such as Pierre Cardin Carpets in 2007. Also, it became a local distributor for global companies. For instance, *Elmasepeti.com* which is a company under the roof of Naksan is the biggest distributor of Apple products in Turkey (NAKSAN, 2017).

In the late 2000s, some companies captured new investment areas and became international players. For instance, Akfel Holding is the largest non-governmental natural gas importer in Turkey, which imports 55% of Russian natural gas to Turkey, and 14% of the natural gas that Turkey needs (Enerjigunlugu, 21 Dec 2016 & Akfel Commodities, 2016). There is another capital group mainly operating in the liquid cooking oil and margarine production, which is called ORKIDE Group¹⁹. This company exports 25% of its products to 102 countries (Orkide, 2014: 1). At the same time, Orkide Company is an official supplier of the charity organisations of the World Bank, such as UNRWA (United Nations Relief and Works Agency) and WFP (World Food Programme) (Orkide, 2014:7). This company supplies 35% of Turkey's oil production requirement and is also ranked 133rd in the 500 biggest company list (Kucukbay AS revealed in Table 13) compiled by Istanbul Chambers of Industry in 2011 (Orkide, 2013a: 4). Orkide Company often attended trade fairs and trips organised by TUSKON, and joined the 19th World-Turkey Trade Bridge Conference. One of the CEO of Orkide Company stated that 'this conference is important since they could find new networks and partners to engage in global trade relations' (Orkide, 2014: 12). In 2013, Orkide attended the EXPOCOMER Trade Fair organised by TUSKON in Panama in 2013. At this fair, one of the CEO of the company, Hamide Tuncsiper, stated that:

“We are actively engaged in foreign trade with Pacific countries, and we found many opportunities to meet new partners at this fair. This is essential so as to expand in new markets and is supported by the state as well” (Orkide 2013: 17).

This company also joined the Afghanistan Trade Fair organised by TUSKON in 2013 and used this fair to diversify its foreign trade partners (Orkide, 2013: 20). Orkide Group has also financially contributed to the Turkish Olympics, which is another

¹⁹The owner of the company Ahmet Kucukbay is a founding member of ESIDEF and TUSKON. He cancelled his membership from TUSKON in 2015 and is currently in jail (Milliyet, 13 Apr 2017).

mechanism that TUSKON used to expand its network with international firms, by sponsoring the Japanese stand in 2013 (Orkide, 2013a: 21). In 2011, It received an award as the company which attracted the largest amount of foreign currency to Turkey (Orkide 2013b: 4). This company was still ranked 240th among the 500 biggest company list published by Capital Business Magazine in 2015 (Capital, 2017).

Table 13: The List of TUSKON-affiliated Companies in the ISO Top 500 List in 2010.

Name of the Company	Area of Operation	Rank in the Top 100	Total Output (Billion TL)
Sarkuysan Elektronik Bakir San ve Ticaret AS.	Copper Mining	26	1.4
Toscelik Profil ve Sac Endüstrisi AS	Iron and Steel	28	1.4
Kastamonu Entegre Agac Sanayii ve Ticaret AS	Wooden Products	49	0.96
Kayseri Seker Fabrikasi AS	Sugar Refinery	95	0.58
Ekinciler Demir ve Celik Sanayi	Iron and Steel	85	0.6
Boytas Mobilya Sanayi ve Ticaret AS	Furniture	82	0.63
Abalioglu Yem Soya ve Tekstil AS	Goods, Tobacco and Beverages	70	0.74
HES Hacilar Elektrik San ve Ticaret AS	Metallic Products	69	0.71
Besler Gida ve Kimya Sanayi ve Tic. AS.	Goods, Tobacco and Beverages	92	0.58
Naksan Plastik ve Enerji Sanayi ve Tic. AS	Plastic and Energy Products	129	0.54
Kucukbay Yag ve Deterjan AS	Goods, Tobacco and Beverages	133	0.43

Source: Author's compilation based on ISO, 2011.

The third fraction consists of transnationally operating capital which engages in production relations in different countries. For instance, BOYDAK Holding²⁰, which is the largest member of TUSKON, started its activities in 1957 in Kayseri, operating mainly in furniture, textiles, marketing, chemistry, logistics, iron and steel, informatics and energy. Overall, this holding company operates in seven different sectors, operating 34 companies and seven different brands namely Istikbal, Mondi, Bellona, Form Sunger, Boycelik, Serko and Moyteks. This company has more than 12,000 employees and engages in export to more than 140 countries. 342 of its distributors have opened abroad. It has 7 firms in the 500 biggest company list in Turkey (Hes Hacilar and Boytas Mobilya are included in Table 13). Although the company's head office is in Kayseri, it has branches or affiliates in Adapazari, Sakarya, Eskisehir, Zonguldak and Istanbul. This holding company also has brands and manufacturing facilities abroad, such as ALFA MOBEL Trade Co. in Dortmund established in 1997 (Boydak Holding, 2017a), and Sunset International Trade L. L. C. in the USA established in 2002. These manufacturing firms have links with international manufacturing companies through subcontracting and joint ventures which provide them with opportunities to increase their technological investments.

Another example of transnationally operating companies is AKFA Holding, which operates in health, construction and information technologies. Seven out of twenty-two companies affiliated with AKFA Holding operate in multiple countries through export and production chains ranging from Russia to Qatar (Dunya, 02 Apr 2013). Sarkuysan Company is another example of this fraction, which produces electrolytic copper products. Although its main production facility is in Gebze in Turkey, it launched a production facility in Albany in the USA in 2009 (Sarkuysan, 2018). Kastamonu Entegre Company is another significant example of this fraction, which operates in the wooden panel industry, and the retail and construction sectors. This company engages in production relations in seven different countries, operating eighteen factories and exporting its products to almost 100 countries (Kastamonu Entegre, 2018).

²⁰This company's shares and assets were transferred to the TMSF (Tasarruf Mevduati Sigorta Fonu, Saving Deposit Insurance Fund), in 2016 because of its affiliation with TUSKON (Capital, 06 Sep 2016).

Among the relations of TUSKON with other class fractions and the state apparatuses in the power bloc, the financial activities of TUSKON-affiliated transnational firms are the decisive factors shaping the class characteristics of this fraction. In the secure political and economic conditions after the 1980 military coup, TUSKON members found opportunities to evolve as part of finance capital (Tanyilmaz, 2015:98). TUSKON-affiliated companies organised their financial activities under the Bank Asya which was initially established in 1996 under the name of Asia Finance. This bank is founded and operated by the GM. The opening ceremony brought important figures together including Fethullah Gülen, Abdullah Gul, Tansu Çiller and Recep Tayyip Erdoğan (Apaydin, 2015:454). This Bank enhanced the power of the firms affiliated with TUSKON vis-à-vis the rival companies operating in similar sectors and markets. This demonstrates the level that the capital owned by TUSKON-affiliated companies reached, their relationships within the power bloc, and their support for the activities of TUSKON.

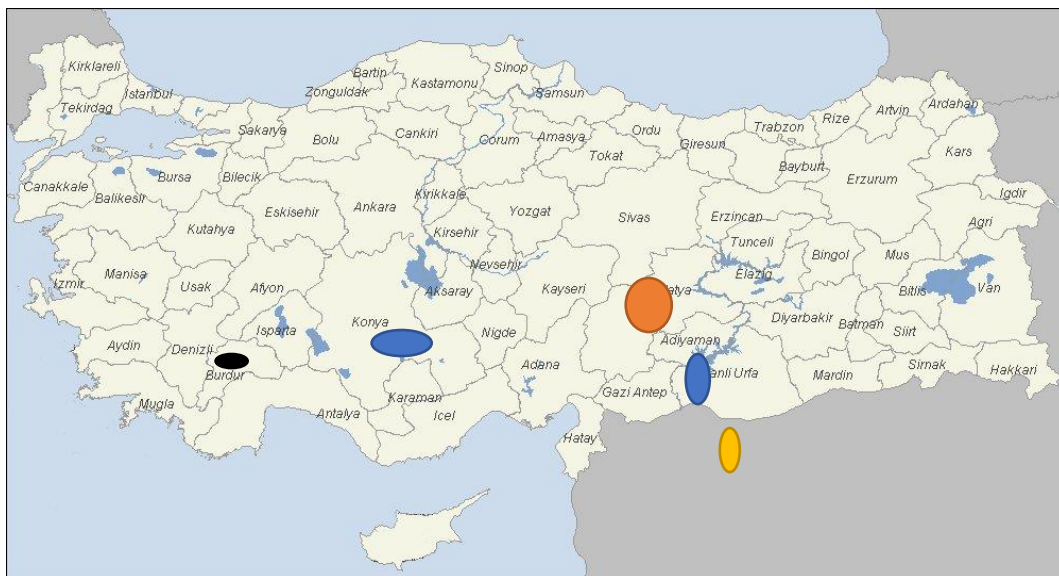
The Bank Asya was the largest participation bank in Turkey in 2006, with assets totalling \$4 billion. (Hendrick, 2009:358). With the help of TUSKON-affiliated firms, it increased its market share in Turkey. It made investments in the Middle East, North Africa, Russia and Ukraine in 2007. Thus, the transnational fraction within TUSKON operated across borders in the late 2000s. From a Poulantzian framework, this meant that the interests of different fractions of capital (transnationally or nationally based) were transferred to the various fractions of capital affiliated with TUSKON. These companies also extensively invested in Central Asia, and were involved in transferring money from Turkey to companies in Central Asia (Balci, 2003:158). Some companies within TUSKON also had their own banks. For instance, BOYDAK Holding also owns a finance capital concern called Türkiye Finans Participation Bank in alliance with Ülker Group. This bank was established through the merger of Family Finance and Anadolu Finance Institutions in 2005 (Boydak Holding, 2017b). The National Commercial Bank holds 67% of its shares (Türkiye Finans, 2017).

Overall, the increase in the level of production and the promotion of foreign trade facilities transformed some of the larger capital groups in TUSKON from commercial capital to finance capital which operates across borders through transnational

production chains in the late 2000s. As outlined in Chapter II (Kiely, 2012:112), this means that labour, commodity and money are structurally interconnected in the case of the larger capital fractions in TUSKON which had privileged access to financial resources.

7.3.2. The Defining Role of Uneven Development

As stated in Chapter VI, the international expansion of the fractions of Turkish large-scale capital organised in TUSIAD had a transformative effect on the geographical relocation of capital. The geographical locations of new and old industrial cities are important factors in the distribution of TUSKON-affiliated firms. As stated in Chapter I, the analysis of free trade relations in a specific space cannot only be grasped by looking at the global level (Bieler & Morton, 2001: 26). The map below shows five cities which are important in terms of the relocation of industrial capital through TUSKON. These cities are Denizli, Konya, Kahramanmaraş, Gaziantep and Kayseri.



Map 1: The Geographical Relocation of Industry, and the New Industrial Cities.

As Table 14 shows, Turkey's more advanced metropolises (Istanbul, Kocaeli, Bursa, Ankara, Adana and Izmir) dominate the whole of industry. Following the premises of uneven development (Anievas & Nisancioglu, 2016: 46), the relations between larger and smaller fractions of capital are not unidirectional. SMEs also influence the way that larger capital operates in its mutually interactive process. In this sense, the newly

industrialised cities became more prominent in the 2000s, due partly to government incentives and deeper integration into global free trade relations.

Table 14: Distribution of Turkey's Top 500 Industrial Enterprises

Province	1980	1996	2000	2007	2012	2016
İstanbul-	259	246	243	252	230	234
Kocaeli						
Ankara	27	22	31	26	29	29
İzmir	59	49	51	32	33	41
Bursa	21	24	27	33	23	22
Adana	19	18	12	10	12	13
Kayseri	9	8	15	10	12	14
Denizli	5	4	11	10	10	11
Gaziantep	0	4	11	10	10	26
Konya	0	3	5	5	9	10
Kahramanm	0	1	3	3	8	9
araş						

Source: Author's compilation based on ISO, 2017a.

According to the second 500 industrial enterprises list published by ISO, the share of the second 500 largest industrial firms in total trade volume (i.e. those ranked 501-1000) was 6.8% in 2011; 6.3% in 2012; 5.4 in 2014; and 5.6% in 2016 (ISO, 2017b:12; ISO, 2013:5:18). This is a relatively small and possibly declining share. However, in terms of the value added by the level of technology, low-tech industries' share in the total added value created by the second 500 industrial firms is 44.2% in 2016 (ISO, 2017b:90). This suggests that, despite their small market share, these companies have a vital productive role. The share of garment industry was the largest of any sector among the most exported sectors, with a 23.7% share in the total export sectors of the second 500 industrial firms in 2012, rising to 26.6% in 2016 (ISO, 2013: 18; ISO, 2017b:36). This demonstrates the concentration in low value-added industries peculiar to SMEs, but is also applied by large firms. However, the number

of holding companies (conglomerates) in these cities increased 204 in 2009 from 144 in 2002 because it was more advantageous to set up holding companies in these cities so as to get credit from the state banks (Capital, 1 Feb 2010). As Table 14 shows, the number of companies in the 500 biggest company list located in the provincial cities in which TUSKON was most active was 45 in 2000 in the selected cities, but this number increased 80 in 2016.

The largest holdings companies in the Anatolian provinces are SANKO Holding in Gaziantep and BOYDAK Holding in Kayseri (Capital, 1 Feb 2010). In particular, TUSKON had a significant presence in Kayseri, which is known as one of the most conservative cities and an electoral base for the AKP. 25% of the firms in Kayseri have a membership at least in one business association, and 85% of these firms were members of TUSKON. However, many companies had memberships in both TUSKON and MUSIAD (Kuyucu & Danis, 2015: 408). Distributions vary in other Anatolian cities. According to Kuyucu and Danis while MUSIAD had 66 members in Malatya, TUSKON had 300 member firms in 2008, and while MUSIAD had 90 members in Denizli, which is one of the most industrialised cities in Anatolia, TUSKON and MUSIAD had the highest memberships in that city (Kuyucu & Danis, 2015:409). One of the largest capital groups in Kayseri, BOYDAK Holding, also had a strong position in the chambers of commerce and industry in the city. TUSKON also had a strong presence in the city of Gaziantep, which is one of the largest cities in Turkey in terms of population and trade networks. The CEOs from the Konukoglu family who own SANKO Holding were in charge of the organisational structure of the TUSKON. For instance, Rizanur Meral, the president of TUSKON, was the CEO of one of the firms affiliated with SANKO Holding. This means TUSKON had a significant presence in the newly developing provinces since it had dialectical relations with the municipal governments in those provinces (Buğra & Savaşkan, 2012: 45).

As Table 16 shows, new industrial cities (Kayseri, Denizli, Konya, Gaziantep and Kahramanmaraş) are mainly SME-dominated, and their share in total Turkish foreign trade is still far less than the share of the most-developed metropolises of Turkey. The share of newly industrialised cities in Turkish foreign trade indicates the space of different localities in global commodity chains (Buğra & Savaşkan, 2014:156).

Table 15: Regional Distribution of Turkey's Second 500 Industrial Enterprises

Province	1990	2000	2010	2016
İstanbul-Kocaeli	181	282	219	194
Ankara	10	22	24	20
İzmir	31	45	38	45
Bursa	7	18	39	31
Adana	7	5	13	10
Denizli	4	15	10	13
Kayseri	2	5	20	16
Gaziantep	6	8	20	32
Konya	3	5	14	13
Kahramanmaraş	1	3	10	14

Source: Author's compilation based on ISO, 2017c.

Table 16: Regional Distribution of Total Export in New Industrial Districts (%)

Province	2000	2007	2010	2012
Kayseri	0.8	0.9	1.02	1.03
Denizli	0.9	1.9	1.86	1.72
Konya	0.2	0.65	0.85	0.83
Gaziantep	1.3	2.28	3.89	3.69
Kahramanmaraş	0.1	0.3	0.46	0.5
Istanbul-Kocaeli	52.8	61	54.97	58.20
Ankara	1.6	3.95	4.93	4.68
İzmir	18.07	6	5	5
Bursa	7	8.46	9.37	7.30
Adana	1.7	1.1	1.18	1.25

SOURCE: Author's compilation based on TUIK, 2017.

It also shows that the relocation of industry does not necessarily involve a process of provincial development independent from the bigger metropolises. This means there are usually linkages between local provinces and metropolises in the process of production and exchange.

7.4. The Relationship between the State and TUSKON

In terms of the analysis of the relationship between the state and TUSKON, the most important issue is the consolidation of power bloc as a 'unity of politically dominant classes and fractions under the protection of the hegemonic fraction' (Poulantzas, 1978: 239). This definition requires this chapter to uncover the relationship between the different fractions of power and capital within the power bloc in response to the second sub-question of this thesis.

7.4.1. New Configuration in the Power Bloc

The crystallization of the alliance between the AKP and what were later TUSKON-affiliated fractions of capital started in the early 2000s. The construction of this alliance is a hegemonic project which also included the military, bureaucracy, liberal democrats and the Kurdish movement (Cavdar, 2014:9). One condition of the success of the hegemonic project is to maintain the unity of the different fractions of power in the power bloc (Poulantzas [1978] 2000:197). After political Islamists split from the centre-right mainstream in the 1970s, the AKP eventually managed to establish an alliance between the transnationalised capital groups organised under TUSIAD and the economically developing but politically subordinated fraction of the bourgeoisie which consisted of companies that have much greater diversity of size and geographical location, notably MUSIAD and TUSKON members. To a considerable extent, the AKP's coming to power represents the integration of what later became TUSKON (as well as fractions belonging to MUSIAD) into the power bloc (Bekmen, 2014: 62). This means the AKP integrated different fractions of capital in the same process of capital accumulation in different ways (Benlisoy, 26 January 2017). As Poulantzas argues, the state organised the relations of power and softened the contradictions between different fractions of capital for the unity of the power bloc (Poulantzas [1978] 2000: 133). As stated in Chapter V, the AKP managed to convince the large-scale capital represented by TUSIAD to upgrade their manufacturing

facilities. On the other hand, it also managed the interests of SMEs organised within TUSKON, as Chapter VI already demonstrated in the case of MUSIAD. The needs of SMEs were met through privatization and public tenders in this period which created rents for SMEs and prepared them to become ready to expand in the global market (Bekmen, 2014: 64). Politically, the most significant ally of the AKP government in the 2000s was the GM. This alliance was important in terms of occupying strategic positions within state apparatuses, gaining control over media organs, fighting against the old state elites and the secular groups within the Turkish Army (Hendrick, 2009: 351). Consequently, the presence of Gülenists in state positions increased in this period. In practice, students who graduated from Gülenist schools in Turkey have occupied strategic positions within the ministries, bureaucracy and media in Turkey (Balci, 24 Oct 2013). Moreover, the AKP government appointed Gülenists to critical positions in the state apparatuses as a response to the secularists' attack against the AKP when it came to power in 2002 (Yavuz & Koç, 2016:136). This reflects the political class struggle (Poulantzas [1978] 2000: 125) embedded in the Turkish social formation, which also includes inter-class and intra-class contradictions at the state level.

What is unique to the AKP period is, as also stated in Chapter V, the shift in the way that the state is involved in the process of capital accumulation towards not only encouraging larger capital but the SMEs (Buğra, 04 March 2013), in contrast with the 1980s-90s when internationalisation occurred largely at the expense of, or at least bypassed, SMEs. The government's selective empowerment of particular SMEs in this period was a crucial feature in the Turkish social formation, in which the class and power relations between business associations became institutionalised. In addition, the mechanisms that TUSKON adopted to interact with the state included large-scale international business events, and participation in state officials' visits to other countries (Atli, 2011: 117). As large-scale business events bring together the executives of the biggest associations with state officials, this is a very effective way of interacting with the state.

What is more important here is that the relationship between the state and TUSKON is not merely external. As stated in Chapter III, these power groups are internally

related to each other (Martin, 2008: 308). In this dialectical relationship, TUSKON influenced the government through the chambers of trade and commerce in the provincial cities (Yeni Safak, 29 May 2017); the local branches of the central administration; universities funded by the Gülenists; and supranational institutions which sought to shape local governance structures (Buğra, 04 March 2013). More precisely, the Prime Ministry, the Ministry of Foreign Affairs, The Ministry of Industry and Trade, the Undersecretariat of Foreign Trade, and TİKA (Turk İsbirligi ve Koordinasyon Ajansi Başkanligi, Turkish Cooperation and Coordination Agency) are some of the state apparatuses which sponsored the activities of TUSKON in foreign countries and gave it bureaucratic and technical support (Alkan & Mercan, 2013: 35). Notably, the general assemblies of TUSKON have always been attended by ministries and official AKP delegates (Buğra & Savaşkan, 2014:133). The AKP MPs and the ex-President Abdullah Gul, always praised TUSKON for their contribution to the national economy (The Economist, 25 March 2010). The AKP's former economy minister, Ali Babacan, attended the opening ceremony of TUSKON's Brussels office and a conference organised by TUSKON with South East Asian nations in 2007 (Ministry for EU Affairs, 04 July 2007). The AKP's head and parliamentary speaker also sent letters praising the great achievements of TUSKON. Between 2002 and 2009, the AKP's Foreign Trade Minister, Kursat Tuzmen, attended every summit organised by TUSKON (Hendrick, 2013:166). Moreover, various consultation platforms incorporated with TUSKON, such as the Development Agencies (Kalkinma Ajanslari), were invited to take part in policy-making processes. This involved a mutual interaction between the government and TUSKON, which resulted in TUSKON's support for government policies. One of the TUSKON official mentioned that:

The ways in which TUSKON interacted with the government are very different from those of TUSIAD and others. TUSKON members do not want to change economic policies, we do not use media to make our voices heard, and we just go to the Minister and explain our concerns and demands... [We] focus on practical things, we inform and enable our members to do business, to export, to get exposed to new markets, rather than propagating a particular view for or against the government (Özel, 2015:143).

As highlighted in Chapter III, the role of the state shifted in the process of internationalisation of capital in the post-1980 period. This process also transformed the role that the state played in managing the unity of the power bloc. In its application, the state might favour and delimit some certain fractions of classes at the expense of others (Martin, 2008: 319). In the case of the relationship between TUSKON and the AKP, the AKP moved towards TUSKON and MUSIAD, and thus, opted for distributing state resources to its new allies at the expense of TUSIAD (Özel, 2013: 1096). The previous chapters suggested that the state is the material condensation of class struggle (Poulantzas [1978] 2000: 73), so the contradictions within the power bloc are not exclusively constructed by the state. Rather, the selective policies of the government created tensions between business associations. As Buğra states, in the Anatolian provinces especially, there was considerable unrest among the bourgeoisie stemming from the rise of the Gülen-affiliated business circles. These contradictions were reflected in the chambers of trade and industry especially in provincial cities like Kayseri (Buğra, 04 March 2013). This also led to contradictions between the big capital represented by TUSIAD and the government, which were reflected inside state structures. For instance, a member of High Advisory Council of TUSIAD, Ayça Dinçök, stated in an interview that:

Unfortunately, I see that there is a polarization within the business associations in Turkey... Sometimes we are not invited to some meetings, but others are... how is such discrimination possible? I feel uncomfortable as an entrepreneur. They have created a polarization between us and them. I assumed we were all the same. How can you separate us as “us” and “them”? (Dinçök, 03 March 2010).

The state mediated the tensions in favour of TUSKON by distributing public resources and giving privileged incentives (such as government contracts). This means the state actively engaged in the formation of power relations between different fractions of capital (Poulantzas [1978] 2000: 73). Various agencies and platforms give privileges to particular business associations in terms of taking part in the decision-making process. As Özel also states, the composition of the board of the *Development Agencies* is a good indicator of the balance of power among associations. Under the

AKP, four out of five slots were given to TUSKON and MUSIAD. As also stated in chapter V, TUSIAD and TURKONFED reacted fiercely against this allocation of seats to other business associations which are close allies of the AKP (Özel, 2015:140). However, this does not mean that the state overruled the dominant fraction of capital organised under the TUSIAD. On the other hand, as stated in Chapter V, the state consolidated the power bloc and maintained its hegemony through maintaining its relative autonomy in the organizational matrix of the state structure (Hosgor, 2016: 130; Jessop, 1985: 68). As we saw in Chapter V, TUSIAD's participation in global value chains continued to be supported by AKP governments, which performed a balancing act between the interests of different fractions of capital so as to hold together the hegemonic power bloc. However, the 2008-9 global financial crisis became a turning point in terms of the hegemonic project of the AKP and its ability to satisfy all three associations at the same time. Since then, the organic relations between the AKP and MUSIAD and TUSKON were deepened at the expense of the TUSIAD fraction. In its role as mediator of the conflicting interests of different fractions, the AKP had to take a different stance in intra-capital contradictions (Akça & Özden, 2015). For instance, as mentioned in the previous sections, the AKP did not sign the IMF-standby agreement, a decision which benefited MUSIAD and TUSKON at the expense of TUSIAD. Umit Akçay also argues that reduction of the AKP's capacity to unify the different fractions of different classes stems from the slowdown of economic growth after the 2008-9 global financial crisis (Akçay, 14 Dec 2013). This also made contradictions in the power bloc more visible (Benlisoy, 26 Jan 2017). Thus, on the one hand, the increasing contradictions between the AKP and TUSIAD were a watershed in the sharpening of polarization in the power bloc. On the other hand, the tensions between the AKP and Gülenists led to a later crisis in the hegemony that the AKP has managed to establish.

7.4.2. The Collapse of the Relationship between the AKP and the Gülen Movement

The internal contradictions between the AKP and the GM came out first in the foreign policy arena after the Mavi Marmara incident in 2010 (Hendrick, 2013:190). The Mavi Marmara was a ship sent to the Gaza Strip on 31 May 2010, with the aim of breaking the Israeli government's blockade (The Guardian, 02 June 2010). The flotilla was

organised by the IHH (Insan Hak ve Hürriyetleri İnsani Yardım Vakfı, Foundation for Human Rights and Freedoms and Humanitarian Relief) and the Free Gaza Movement. Nine activists on this ship were murdered by Israeli naval forces (Balci, 24 Oct 2013). This resulted in a deterioration of relations between Turkey and Israel (CBCNEWS, 02 June 2010). A few days later, Gülen criticised the flotilla for not getting the permission of the Israeli government (Cop & Zihinlioglu, 2017: 34).

The second contradiction appeared after the wiretapping scandal in 2011, which involved the discovery of wiretaps in Erdoğan's home and office. After this scandal, contradictions became apparent and this was followed by disputes on the status of dershanes (private university preparatory courses) (Hamsici, 4 Dec 2013). As a response, a Gülenist prosecutor in Istanbul, Sadrettin Sarikaya, summoned Hakan Fidan, who is the chief of the National Intelligence Services, and one of the closest colleague of Erdoğan and known as Erdoğan's right hand (Thicke, 28 Apr 2017). The prosecutor accused Hakan Fidan of holding secret meetings with PKK (The Kurdistan Workers Party) officials in Oslo (Yavuz & Koç, 2016: 139). Erdoğan declared that Hakan Fidan was not going to give a statement in court (T24, 21 Feb 2014). After this dispute, the law to shield State Intelligence Service officials from political prosecution was amended (Cumhuriyet, 17 Apr 2014). The response of the Gülenists was peaked on 17 and 25 December 2013 (Sönmez, 2014:11). The Istanbul Police Department's Financial and Anti-Corruption Unit detained 47 people, including the sons of the Minister of the Economy, the Minister of the Interior, and the Minister of Environment and Urban Development, many high ranking people including the Mayor of Fatih district of Istanbul, high ranking officials of TOKI (The Housing Development Administration), the general director of the state-owned Halk Bank, and an Iranian-Turkish businessman, Reza Zerrab (Yavuz & Koç, 2016:140). As a counter-attack, the government reacted to this corruption probe by retiring, purging and suspending almost 70 percent of the police forces and halting education programmes in police academies (Yavuz & Koç, 2016:141).

There was another conflict between the AKP and the Gülen Movement on the issue of the international mobility of Turkish capital. The conflict arose mainly on the issue of the specific markets to be targeted. The AKP government had improved economic

relations with the Northern Iraqi Regional Government and it had become the second largest export destination of Turkish exporters by 2010 (MFA, 2011). This economic relationship with the Iraqi government and its implications for the Kurdish question became another conflicting field for the AKP and the GM (Sönmez, 2014: 256). Since the SMEs affiliated with TUSKON were by this stage deprived of profits from construction and highway bids and government spending, TUSKON took a critical stance against this international target of the government (Sönmez, 2010: 254).

7.4.3. Political Struggle in the Field of the Judiciary

The status and functions of the Turkish judiciary have always been a contested field between the power groups in the state structure. The political class struggle over the juridical system is a specific reflection of the alliances and contradictions within the power bloc. As Poulantzas argues that the judiciary is a significant part of the state apparatuses, the struggle over the judiciary is crucial in establishing political domination of the hegemonic class (Poulantzas [1974] 1975: 25). The 2010 constitutional referendum dramatically changed the relations of power within and outside the power bloc and reconfigured the institutional assemblies of the judiciary. To illustrate, there had been controversial changes due to the 2010 constitutional referendum package including amendments to twenty-four articles of the constitution. These changes were proposed by an alliance consisting of Gülenists (TUSKON), liberals, MUSIAD and the AKP government. Gülen himself campaigned in favour of a Yes vote (Strauss, 28 Apr 2011).

At the centre of the class struggle was the composition and powers of the HSYK (Hakimler ve Savcılar Yüksek Kurulu, Constitutional Courts of the High Council Judges and Public Prosecutors). There had been a radical change in the composition and structure of the HSYK in the 2010 referendum (Ozbudun, 2015: 45). This referendum also increased the power of the executive branches of the state over the judiciary, which shifted the power struggle in the field of the judiciary (Yildirim, 11 Dec 2017). This new system led the Gülenists to increase their presence in the organisational structure of the juridical apparatuses. They filled the judiciary and other key institutions of the state with their own advocates (Bekmen, 2014:68). This resulted in the recentralisation of the state through a series of court cases like the Ergenekon,

Balyoz, and Izmir Espionage Affair cases (Sönmez, 2014: 254). Government officials supported these trials in which top military officials and judges were accused of plotting a coup against the government and seeking to overthrow it (Yavuz & Koç, 2016: 136).

The restructuring of the juridical system created tensions after the 17-25 December 2013 events. Erdoğan stated that the government made a mistake in 2010 by weakening the role of the Minister of Justice in the HSYK, while strengthening the autonomous role of the HSYK (Hürriyet, 29 Dec 2013). The AKP government thus amended the constitutional article 5c, which allowed “the government to be informed immediately of ongoing secret investigations and to take necessary measures, such as changing police officers involved accordingly” (Ozbudun, 2015: 46). In 2014, a law came into force enabling the Minister of Justice to appoint the membership of one of the three chambers which belong to the Plenary of the Council (Ozbudun, 2015: 47). This was followed by substantial transfer operations which replaced the judges and prosecutors who were involved in corruption trials with pro-government replacements. Another provision which came into force enabled the Minister of Justice to totally reorganise the members and structure of the HSYK. After the new elections for the HSYK in September and October 2014, the government obtained the power to control the judiciary. Thus, the new HSYK suspended some prosecutors involved in 17-25 December corruption investigations (Ozbudun, 2015:51). Behind these amendments and replacements, there was a power struggle between the AKP and the GM over the control of the state apparatuses.

7.4.4. Intra-Capital Relations Before and After the 17-25 Events

Before the 17-25 Events, TUSKON was the most influential business association in Turkey in terms of its relationship with the state apparatuses. One of the representatives of TURKONFED mentioned that several of their members became members of TUSKON since they thought TUSKON had a closer relationship with the government (Buğra & Savaşkan, 2014:125). In addition to this, businessmen in provincial cities felt joining TUSKON was the best way to prosper, and especially, to get a share of municipal tenders (Strauss, 28 Apr 2011). This also coincided with capital consolidation in the energy market in the late 2000s which took place through

patronage relations. Therefore, most of the SMEs resorted to joining MUSIAD or TUSKON to develop new patronage relations (Özcan, 2015: 1731). At the international level, the relationship between the AKP and TUSKON was more intense. There was a class struggle between transnationally operating fractions within TOBB and TUSKON. This can be grasped in the debates on the legislation concerning TIM (Turkiye Ihracatcilar Meclisi, the Assembly of Turkish Exporters). According to this legislation, some prerogatives of DEIK and TOBB was transferred to TIM in which TUSKON was more powerful (Buğra & Savskan, 2014 133). DEIK had been the most effective business organisation in the fields of organising business trips to foreign countries, establishing business networks, and promoting trade agreements with foreign countries during the 2000s. Ambassador Ender Arat states that “DEIK does its job perfectly, but if it fails to do so someone else can do it in its stead” (Atli, 2011:124). Unlike MUSIAD, TUSKON’s main strategy was to take part in TIM and be influential in its organisational structure rather than participating in DEIK (Buğra & Savskan, 2014:137). The struggle did not only take place in the political field but also in the economic field. The rise of TUSKON in state structures and economic activities created tensions between MUSIAD and the AKP. In particular, after 2007, MUSIAD complained that they were unappreciative of the allocation of resources in favour of TUSKON-affiliated companies (Cavdar, 2014: 11).

Table 17: The Share of TUSKON- and MUSIAD-Affiliated firms in the ISO 500 in 2009

	MUSIAD	TUSKON
Number of Companies	31	45
Export (Billion \$)	1.004	2.522
The Share in Export (%)	2.1	5.5
Number of Employees	19.981	33.469

Source: Author’s compilation based on Cavdar, 2014: 11; Milliyet, 28 June 2010.

As indicated in Table 17, the share of TUSKON-affiliated firms in Turkey’s foreign trade was almost double the share of MUSIAD-affiliated companies in 2010. This led to an intensification of contradictions between the interests of companies affiliated

with MUSIAD and TUSKON. In this dispute, the most contested issue was control of export-oriented sectors. In 2010, Russian President Medvedev visited Turkey to join a meeting which aimed to establish a Russian-Turkish trade volume of \$100 billion in five years. Behind the scene, there was an organisational battle between representatives of different internationally oriented fraction of capital. There were three organisations hosting this meeting: TOBB, TIM and TUSKON (Özkan, 14 May 2010). Up until then, DEIK was the only organisation hosting foreign delegations. However, DEIK's logo was not displayed in the meeting room, and TUSKON replaced DEIK in the role of organising the meeting. In this case, the Ministry of Foreign Trade, Zafer Caglayan, aimed to create more space for TUSKON to act freely (Tanyilmaz, 2015:92).

The 17-25 December 2013 events were, therefore, a reflection of the conflicts between fragmented groups within the power bloc, which changed the class relations among business associations. Following Poulantzas' model, the state acted against the interests of TUSKON-affiliated businesses in order to impose the long-term economic interest of the dominant classes and to secure its hegemony (Jessop, 1985:56; Poulantzas, [1978] 2000: 184). This process was associated with the relocation of industry and rescaling of the state. As a strategy, the government implemented a new plan based on inward-oriented development, based especially on a capital accumulation strategy in the construction sector (Akçay, 14 Dec 2013). After the collapse of the relationship between the AKP government and the GM, the tensions between the two led to further rifts within the power bloc, which also resulted in a new balance of power among business associations. The strategic positions which TUSKON used to hold in official meetings and business trips were replaced by TOBB and MUSIAD (Özdemir, 27 Jan 2014). Most of the members of TUSKON resigned from membership and became members of MUSIAD (Ozgenturk, 10 Jan 2016).

However, it is important to qualify that these fractions of the bourgeoisie which have been critical of the government after the 17-25 December 2013, were previously situated within the power bloc as the element of the construction of a hegemonic coalition of power groups, and that they have lost their critical position in a class

struggle among fractions. It is difficult to conceal, however, that the state apparatuses reacted to this conflict in a way which influenced the process of capital accumulation by changing the distribution of groups operating in the economy. Each business association attempted in its own way to promote its own interests within the power bloc. For instance, MUSIAD did not take a critical stance towards the AKP after the corruption probe. However, the president of MUSIAD stated that “our common wish is to investigate corruption probes whatever and whoever claims it. This must be based on freedom of judges” (Haberturk, 21 Dec 2013). TUSKON, on the contrary, publicly declared that corruption in the state is like cancer in the human body, if not taken seriously it can spread all the body and corrupts the country (Cumhuriyet, 23 Dec 2013). TUSIAD, on the other hand, stated that the corruption probe is a desperate situation, and we should stay loyal to the independence and freedom of the judiciary whatever happens (Sönmez, 2014:205). It is in this circumstance that the power relations are thus recrystallized after the collapse of the alliance within the power bloc. As a result, the AKP retained its capacity to organise its hegemony effectively through the reorganisation of the state apparatuses and playing an active role in the restructuring of the power bloc.

7.5. The Integration of TUSKON-affiliated Companies into Global Free Trade Relations

The emergence of TUSKON is a direct result of the development of capitalist relations of production in the 1990s which has been detailed in Chapter V (see also Öztürk, 2015:121). In particular, TUSKON provided spaces for SMEs at a time in which Turkish capitalism became increasingly integrated into global relations of free trade. As stated in Chapter II, it is essential that capital engaged in national realisation should participate in international realisation in order to maintain its presence (Bryan, 2007: 272). The motto used by TUSKON was that ‘TUSKON’s goal is to help transform petty-merchants to businessmen, businessmen to industrialists, industrialists to exporters, exporters to multinationals’ (Özel, 2013:1096). This is the cornerstone of the transformation of companies from a national bourgeoisie to an international bourgeoisie. The way most TUSKON-affiliated companies engaged in global relations of free trade was through production and export. This section, thus, examines the

role of TUSKON in Turkish foreign trade and the mechanisms used by TUSKON to integrate into global relations of free trade in response to the third sub-question of this thesis.

The emergence of Gülenist private schools in Turkey and elsewhere coincided with the dissolution of the USSR in the early 1990s. In the same period, Gülen encouraged his fellow businessmen to invest in the Central Asian countries which became independent at this stage. This was billed as an attempt to revive the 'glorious Ottoman Past' (Lorasdagi, 2010: 225). For this purpose, Gülenist businessmen also launched several business associations in collaboration with the host countries which are: (i) PASIAD (Pasifik Ülkeleri ile Sosyal ve İktisadi Yardımlaşma Derneği, Association for Social and Economic Cooperation in Pacific Asian Countries) in South East Asia which centralises the activities of GM schools in Thailand, Malaysia, Indonesia and the Philippines; and (ii) AKSIAD (Türkiye Afrika Ülkeleri Kültürel Sosyal ve Ekonomik İşbirliği Derneği, the Turkey-African Countries Cultural Social and Economic Development Association) which coordinates education, social services, and trade across the African region (Hendrick, 2009:358). In addition, Turkish businessmen affiliated with Gülen have created their own business association in Azerbaijan, known as TUSIAB (International Association of Turkish and Azerbaijani Manufacturers and Businessmen) (Balci, 20 Oct 2013). The activities of some of the companies affiliated with TUSIAB were banned in Azerbaijan after the 17-25 events (EURASIANET 15 Apr 2014).

The first tool which TUSKON members use to build networks and relations in host countries is the establishment of Turkish schools which are sponsored and founded by Gülen-affiliated businessmen. This is important in explaining the specific way in which the members of TUSKON engage in the process of capital accumulation and the global relations of free trade. In comparison to the strategies of capital accumulation adopted by MUSIAD and TUSIAD, TUSKON/GM's schools involve an overarching difference which transcends the forms of capital accumulation for TUSKON associated companies. Most of the businessmen involved in these ventures invested in Central Asia before the collapse of the Soviet Union. This was followed by the Balkan countries, and later almost every single country in the world (Cakir, 31 Jan

2014). The number of schools reached 2000 in almost 160 countries (Aljazeera, 16 Nov 2016). The method was for a TUSKON member from a particular city in Turkey to concentrate on a particular city in one of the Central Asian countries. For instance, SMEs from Bursa invested in Tashkent, and a twinning between two cities occurred. These businessmen or missionaries were sent to make contact with important companies, bureaucrats and personalities in the target countries. At a later stage, they invited the important figures of the country to the schools they operate in the country and invited them to Turkey. The network created in these countries is very crucial since every problem they might face, bureaucratically or technically, are solved with the help of the bureaucrats who have good relations with the Gülenists. As a result, the missionary strategy of Gülen helped TUSKON members to have plants in these countries (Balci, 2003: 154). According to a TUSKON member, TUSKON helped them to compete in the global market and to find new investment opportunities (Yamak et al., 2015: 1487).

These schools were financially supported by the member firms of TUSKON and helped them to expand their base of production towards countries in the Middle East, Central Asia, North Africa, and beyond (Yavuz, 2013: 90). For instance, Ahmet Kucukbay, the chairman of Orkide Group, stated that the number of countries to which export increased to eighty thanks to Turkish schools (Tanyilmaz, 2015:114). In the 2000s, Turkish schools funded by the Gülenists expanded into 100 countries (Hendrick, 2009:357). In its application, the SMEs in the home country was responsible for the financial spending of the school in the target country (Karakas et. Al, 2014: 820).

The way these schools are used to establish marketing networks for the members of TUSKON is interesting, because most of the students going these schools are the children of the local elite who can provide these networking opportunities (Yamak Et al. 2015:1481; SOL, 29 March 2010). The president of Kayseri GESIAD (Genc Sanayici ve Is Adamlari Dernegi, The Association of Young Industrialists and Businessmen) stated that:

We establish networks in our foreign business trips with the help of TUSKON and our partner associations. For instance, if one of our members wants to go

to Madagascar, we establish contacts between the local networks that we have in that country and our entrepreneurs. We also provide necessary technical and practical information to our members. We cover the travel, accommodation and translation expenses. We have local contacts who have graduated from Turkish schools, who help our members to find relevant businessmen (Capital, 01 May 2013).

Additionally, these schools have played an important role in promoting economic relations between SMEs from different provinces of Turkey and foreign companies (Balci, 20 Oct 2013). For instance, the stationary chain NIL and chocolate and biscuit manufacturer ÜLKER among the transnational chains affiliated with GM. In Turkey, the Gülenist schools were initially perceived as an instrument to expand the Turkish influence in these countries (Cakir, 10 Aug 2016). The ex-president of Turkey, Abdullah Gul, stated that Turkish schools provide an opportunity which gives Turkish businessmen a competitive edge in finding new markets in Sudan, Egypt, Libya, Algeria and many African countries (Alkan & Mercan, 2013:34; The Economist, 25 March 2010). The opening of a complex called Nizam al-Mulk, which was the largest religious educational centre in South Africa (Al Arabiya News, 04 Oct 2012), was attended by South Africa's president Jacob Zuma and high-ranking state officials from Turkey (Dreher, 2015: 828). Chad's trade minister's statement at the 2006 Turkey-Africa Summit organised by TUSKON shows how transnationally TUSKON was active:

Westerners came here to take from us, but they brought nothing. The only thing we want now is a real partnership. For Chad, the Turkish schools are the most important doors to the outside world. They also form a bridge between Turkey and us (Hendrick, 2013:168).

The second mechanism that TUSKON members use to integrate into global free trade relations is the creation of trade bridges organised by TUSKON. As detailed in Chapter V and VI, Turkey was in the process of internationalisation of productive capital in the 2000s. Contrary to the mainstream argument mentioned in Chapter II, this is not only the movement of capital as a functional thing, rather it is the expansion of capital as a social relation. In the case of TUSKON, it involves the expansion of SMEs towards international markets. This expansion was also a result of the power struggle

between different business associations which encouraged TUSKON members to find new markets to invest in. The targets of the different fractions of Turkish capital have been diverse in the last decade. The EU market was largely occupied by members of TUSIAD, and the Middle Eastern and Central Asian countries were occupied by MUSIAD. This meant that TUSKON primarily targeted East Asian and African countries (Gürakar & Esfahani, 2013:377). This does not mean that the African market was solely targeted by TUSKON members because it was not occupied by TUSIAD and MUSIAD members, but on the other hand, to highlight that these fractions of capital focused on producing and investing in these countries.

Turkey's political relations with Africa were reshaped in 1998. In this year, an Action Plan was proposed to establish trade and protection of investment agreements with African countries. This plan also suggested providing funds and special technical assistance to companies which were willing to invest in Africa. Accordingly, Turkey's accession to the African Development Bank and the African Export and Import Bank was encouraged (Özkan & Akgün, 2010: 533). However, this plan could not be implemented until the AKP came to power in 2002. The first official visit by a Turkish prime minister to an African country was held in 2005. TUSKON played a very significant role in promoting economic relations between African countries and Turkey. The trade volume between Turkey and African countries was \$2.5 billion in 2005 when TUSKON was established. This figure reached \$9 billion in 2010 (see Table 18). TUSKON also initiated diplomatic relations with Myanmar, Cambodia, Laos, Vietnam, Papua New Guinea, and New Zealand. In addition to this, TUSKON made an agreement with the Russian Union of Industrialists and Entrepreneurs in 2010 (Altıntop, 18 Jan 2010).

Table 18: Turkish Foreign Trade to African Countries by Years (US \$ Billion).

Years	2007	2009	2011	2013	2016
Export	6.05	10.1	11.4	12.1	11.4
Import	5.1	4.1	6.7	6.1	5.5

Source: Author's compilation based on TUIK, 2017

<http://www.turkstat.gov.tr/UstMenu.do?metod=temelist>.

This increase in trade was achieved through Foreign Trade Bridge Forums through which African companies were invited to invest in Turkey and Turkish SMEs to invest in and import from African countries. These attempts were also supported by the state through financial credits provided by the Exim Bank for those would like to invest in African countries (Özkan, 2013: 144). At the initiative of the members of TUSKON, Turkey announced 2005 as the year of Africa and hosted the first Turkey-Africa Cooperation Summit in 2008 in Istanbul with the participation of many companies from 50 different African countries (Özkan, 2012: 113). Since its establishment, TUSKON organised several trade conferences with foreign companies, namely, Turkey-Central Asia in 2006, Turkey-Pacific Asia in 2007 and 2008, Turkey-Middle and Eastern European Countries in 2008 and 2009, Turkey-African countries in 2006, 2007 and 2008, and a Turkey-World Trade Conference in 2011 (Hendrick, 2013:165). The first Turkey-Africa Foreign Trade Bridge was held in 2006. Almost 1000 businessmen from Turkey, 450 businessmen from African countries, and 45 bureaucrats and state officials from different countries attended this forum. More than 16,000 bilateral meetings took place in the forum, with costs totalling \$250 million. In the second forum in 2008, 100 Turkish companies, 805 businessmen from African countries and 1515 from Turkey attended. In addition to this, 65 bureaucrats and state officials from different countries attended. 30,000 bilateral meetings took place, and several trade agreements were signed totalling \$2 billion, which accounted for one-third of the Turkey's trade volume with African countries in the same year. In the third conference in 2008, more trade agreements were made totalling more than \$3 billion. Two years later, Turkey and Kenya signed a \$500 million trade agreement with the help of TUSKON. These conferences are important to promote interaction between global free trade and the Turkish social formation since intergovernmental agreements were also signed during these events.

To reveal the dialectical relationship between the state and TUSKON, it can be noted that the activities of TUSKON were supported by the Ministry of Foreign Affairs and the Undersecretariat of Foreign Trade, and senior bureaucrats officially participated in these events organised by TUSKON (Atli, 2011: 118). The first Turkish Presidential Press Secretary Ibrahim Kalin mentioned in one of his articles that TUSKON works

closely with business communities in Central Asia and Africa, and he stresses that this business association helped Turkey to expand the economic power of the country and improve its role in regional affairs (Kalin, 2011: 18). The President of Turkey, Abdullah Gul, accompanied the delegation in 2009. The President of TUSKON, Riza Nur Meral, stated that the full support of the Turkish state helped TUSKON members to increase their presence in the African countries (Hendrick, 2009:358). In addition to this, the Turkish Ministry of Foreign Affairs asked TUSKON to organise a Private Sector Development Sectoral Monitoring Meeting at the Fourth United Nations Conference on Less-Developed Countries. This meeting was attended by 547 companies, mostly from African countries. Events of this kind demonstrate the close cooperation which existed at this stage between the Ministry of Foreign Affairs and TUSKON (Alkan & Mercan, 2013:36). In total, 134 TUSKON members invested in Africa with the help of these trade conferences (Özkan & Akgün, 2010:540).

The primary purpose of these bilateral meetings between businessmen was to sign a trade agreement. The businessmen from African countries are provided with a table and scheduled for bilateral meetings. Each participant must stay at their allocated desk, and Turkish SME owners visit these stands. A translator who can speak the mother tongue of the businessmen in that stand is also provided for each desk to enable each participant to communicate easily (Alkan & Mercan, 2013: 37). After the meetings, TUSKON made extra efforts to make the agreements secure and stable. For instance, after the meetings, TUSKON staff organised business trips to African countries with the participation of businessmen and state officials. For instance, 60 businessmen affiliated with TUSKON participated in the official trip of the Minister of Industry and Trade, Nihat Ergun, in 2009. In 2010, a lot of businessmen affiliated with TUSKON took part in President Abdullah Gul's official trip to Niger (Alkan & Mercan, 2013:37). Secondly, TUSKON also organises business trips to Anatolian provinces for the African businessmen who attended the Trade Bridge Forums. During the trips, TUSKON organises business meetings between the firms. For instance, after the second Turkish African Trade Bridge Meeting, TUSKON organised business trips to 43 different Anatolian provinces (Alkan & Mercan, 2013: 38).

7.6. Conclusion

This chapter examined the final empirical case study of the thesis. The main purpose of the chapter was to analyse the role of TUSKON in the social relations of production, the power relations that TUSKON-affiliated capital entered into within the power bloc, and the role that TUSKON-affiliated companies play in global relations of free trade.

This chapter argued that the fragmentation of the bourgeoisie in Turkey is complex. This occurs not only because of the existence of different fractions of capital - commercial, money and productive – which operate in similar sectors, but also because of the interconnectedness between different levels of capital. Accordingly, this chapter argued that there are three main fractions affiliated with TUSKON. The first fraction is nationally oriented capital which produces in Turkey for the domestic market. These companies mainly operate in the construction, health and education sectors. The second fraction is an internationally oriented one which produces in Turkey for export. These companies mostly operate in the iron and steel, copper mining, wooden products, sugar refining, furniture, textile, goods, tobacco and beverages sectors. The final fraction is a transnationally oriented fraction which produces in sectors such as furniture, textiles, marketing, chemistry, logistics, iron and steel, informatics and energy. This fraction is also involved in finance capital. Overall, this chapter argued that most of the firms affiliated with TUSKON are export-oriented SMEs. As stated in Chapters IV and V, the transition to neoliberalism created opportunities for SMEs mainly operating in Anatolian provinces which were producing for the internal market. The internationalisation of Turkish capital in the 1980s paved the way for these companies to eventually expand their activities globally through export markets.

In the following sections, this chapter analysed the power struggle between different power and capital groups and TUSKON-affiliated companies. Following the conceptualisations of Poulantzas, this chapter argued that there was a need for a hegemonic power which can unite the different fractions of power and capital. The AKP, therefore, established an alliance with the Gülen Movement and the companies affiliated with TUSKON. The analysis also revealed that TUSKON-affiliated companies

and Gülenists benefited from the crisis of hegemony in the state structure in the early 2000s.

This chapter, further, discussed the inter-class and intra-class contradictions and compromises at different levels of the social relations of production, particularly the state level and the level of global relations of free trade. In terms of grasping the relationship between MUSIAD and TUSKON, the chapter argued that there was a collaboration between these two associations before the 17-25 December 2013 events. Both groups occupied strategic positions, acquired power in different organisations and cooperated to mutually benefit from the government incentives. However, there has always been tensions and contradictions between these two fractions as the places and positions they occupied were different and had a different influence on state apparatuses. Accordingly, this chapter argued that the conflict between TUSKON and MUSIAD resulted from the struggle over market shares in overlapping sectors (such as government contracts).

The following section on the relationship between the state and TUSKON argued that the AKP's coming to power led to the integration of TUSKON into the power bloc. This meant the AKP integrated different fractions of capital in the same process of capital accumulation in different ways. Therefore, the relationship between the state and TUSKON is not based on externality. Rather, these power groups in the power bloc were in a dialectical relationship with each other. Accordingly, the chapter addressed how the contradictions between the GM and the AKP became apparent at the level of different state apparatuses. This chapter argued that, as predicted by Poulantzas, the AKP reconstructed the state. In this new state form, the executive branches of the state are strengthened vis-à-vis the administrative branches of the state. This led to greater capacity for state intervention and involved an increase in the state's relative autonomy within the power bloc. While strengthening some fractions of capital, including MUSIAD and TUSIAD members, at different levels, the state eventually drove TUSKON members out of the market. This was an attempt to discipline the fragments of the bourgeoisie. Accordingly, this chapter argued that the collapse of the relationship between the government and TUSKON changed the relations of power between business associations. MUSIAD started to replace with

TUSKON in African countries (HABERLER.COM, 10 March 2017). It has launched branches in Nigeria, Sudan, South Africa, Niger, the Ivory Coast, Senegal, and Benin (MUSIAD, 2017; MUSIAD CERCEVE, 2016:59). In order to do this, MUSIAD is supported by Turkish state officials to organise official meetings with state officials and SMEs in African countries (Yeni Safak, 22 July 2017).

The final section on the international relations of free trade argued that TUSKON, in the same way in which MUSIAD, provided networking opportunities for its members, and helped them to invest elsewhere in the international market, and also to source raw materials from different countries. The emergence of TUSKON coincided with the internationalisation of productive capital in the 2000s. The way TUSKON integrated into global relations of free trade is mainly through subcontracting and exporting. The mechanisms used by TUSKON in order to integrate into global relations of free trade were Turkish schools funded by TUSKON-affiliated companies and trade bridges and conferences organised by TUSKON. This chapter thus revealed the extent to which members of TUSKON engage in transnational relations of production and global relations of free trade.

In conclusion, this chapter argued that the internationalisation of Turkish productive capital in the global free trade system in the 2000s transformed some fractions within TUSKON from commercial capital to productive capital, and from national capital to a more international capital. This transformation process was not based on an external relationship between the state and TUSKON and was characterised by specific power relations within the power bloc, which secured the hegemony of the AKP within the power bloc. After the collapse of the alliance between the AKP and TUSKON, the power relations between different business associations and power groups within the state structure were reshaped. What is more important here is that the state still plays its Poulantzian role in securing the long-term interests of the different fractions of capital and its hegemony within the power bloc by various means.

8. Chapter VIII: Conclusions and Reflections

8.1. Introduction

As the main purpose of this thesis is to explain the role of three Turkish business associations, namely TUSIAD, MUSIAD and TUSKON, in explaining the integration of Turkey into the global relations of free trade and the impact of global free trade on Turkish social formation, this study explained how the concepts, such as free trade, unequal exchange, uneven and combined development, and internationalisation of production might relate to the case of Turkey.

In accordance with this approach, research questions of this thesis are posed to examine the three level of analysis which is common in any neo-Gramscian analysis. More specifically, drawing from Poulantzas, this thesis examines how the member companies of business associations engage in social relations of production. This aims to provide an adequate explanation of the class characteristics of different business associations. It then provided an examination of the relationship between the business associations and the state to reveal the shifting patterns of the class struggle. Finally, it examined the specific ways in which business associations engage in global relations of free trade, which included the internalisation of the interests of transnational capital. To this purpose, free trade and the state are examined from a historical materialist framework.

8.2. Conclusions for the Theoretical Arguments of the Thesis

This thesis established modest connections between abstract concepts (class and value), and their concrete presence (wages, prices, and profits). This analysis was based on the concept of social relations of production and included an examination of the shifting patterns of capital accumulation and the expansion of capital. In this regard, free trade is explained as the generalisation of commodity production on a world scale. Contrary to mainstream approaches, the thesis additionally argued that free trade is not just an exchange relation between different parties, and it cannot be considered simply as inter-state or international exchange relations. On the contrary, it is a process of realisation and reproduction of social relations of production, and more precisely, it is not only realised or reproduced between nations or states but

also within states, regions, and sectors. It is the way to extract surplus value from different countries and transfer it from technologically backward countries to core capitalist countries. This occurs through lowering the value of constant capital and increasing the value of variable capital. Additionally, market expansion also creates a capitalist world market, which leads to the generalisation of production on a world scale. The thesis, therefore, argued that free trade has led to transnationalisation of production. The motivations of capital in the core capitalist countries to expand in the countries in the Global South are, (i) the costs of production are lower in less advanced countries because of the availability of cheap labour and raw materials, (ii) working conditions are more flexible in the host countries, and (iii) the absence or weaknesses of trade unions, and the low rate of taxes provided by the countries in the local governments, allow capital to capture a larger portion of surplus value.

Following the model provided by Ray Kiely, the thesis argued that the generalisation of commodity production is a new phase of imperialism which can be called free trade imperialism. In its classical usage, the term “imperialism” means a new phase of capitalism based on the centralisation of capital and the fusion of industrial and financial capital. This led to a new phase of finance capital which included a greater increase in the export of capital as a result of the accumulation crises in the core countries. In accordance with the arguments put forward by Rosa Luxemburg, the thesis argued that it was necessary to integrate countries in the Global South into the global relations of free trade to ensure an increase in the exploitation of surplus value, and generalise the process of capital accumulation on a world scale through expanding the process of appropriation of surplus value. Contrary to mainstream approaches, the thesis also argued that core capitalist countries protected their borders with high rates of tariffs and quotas while applying free trade policies in their early stages of development. When the process of inward-oriented capital accumulation was completed, capitalists in the core countries started to expand globally and encouraged or coerced the countries in the Global South to abandon protectionism in their foreign trade policies. At this point, the thesis benefits from the arguments made by Ray Kiely who argues that trade between core capitalist

countries is also significant as well as trade between core capitalist countries and countries in the Global South.

Because of the global expansion of capital, every country has integrated into the global relations of free trade in different ways at different times. This integration is explained through the lens of the U&CD thesis in Chapter III. The uniqueness of the U&CD approach is that it sheds light on one of the main arguments of the thesis, which is that there are differences between classes engaging in the relations of free trade, and, therefore, the condition of unevenness arises out of free trade between states, regions, and sectors. Following Samir Amin, the thesis argued that the uneven expansion of capitalism is based on unequal exchange which is based on the exchange of products at an unequal cost. This unequal exchange, as the thesis argued, is based on unevenness in sectoral productivity. Contrary to arguments made by classical and neoclassical approaches, the companies which started to accumulate capital prior to other companies have a supremacy in producing high value-added products, and therefore have a competitive advantage against latecomers. At this point, the thesis applied the arguments put forward by John Weeks who argued that the unevenness between countries, companies, and sectors arises not only because of differences in sectoral productivity, but also as a direct result of differences in the progressive development of the productive forces. Accordingly, this thesis argued that it is more important to pay attention to the mechanisms which produce surplus value at the global scale rather than focusing on the redistribution of surplus value through free trade relations.

Contrary to mainstream arguments outlined in Chapters II and III, free trade does not refer to a borderless global market, it is not a win-win situation for all parties engaged in, and it creates neither an economic nor a social convergence among states, societies, and sectors. On the contrary, it creates asymmetrical interdependence as integration is not based on a relationship between equals. In accordance with the arguments made by the U&CD approach, the kernel of the argument of the thesis is that every country in the world (and even a different region or fraction of capital within each country) has integrated into the global relations of free trade in different ways at different times. This global integration was uneven as the countries which

integrated into free trade later than the advanced capitalist countries had some significant weaknesses and they suffered from technological underdevelopment. This was a result of the uneven expansion of capitalist relations of production. Accordingly, the thesis argued that the current phase of free trade is associated with the generalisation of commodity production on a world scale, which included the division of production process into segments carried out in different spaces. This means the global expansion of capital after the GATT Uruguay Round between 1986 and 1994, has expanded the global free trade regime beyond the trade in goods and towards areas such as services, finance, agriculture and public procurements.

As this thesis analyses the role of agency in explaining the shifting patterns of the global expansion of capital through expanding the free trade system, it paid attention to the state and capital as agents. In Chapter III, it argued that states are the key actors which enter into global relations of free trade. Contrary to mainstream approaches, the thesis argued that the state is both an economic and a political agency operating in market relations. In other words, the state is neither an abstract entity nor a night-watchman. The texture of the state is not, therefore, based on state versus market or state versus society dichotomies. Instead, the thesis argued that the capitalist state has always been intrinsic to the social relations of production, and it always comes to rescue the market from collapse in times of economic crises.

The thesis concluded that the weaknesses of neoclassical and institutional approaches are their treatment of the relationship between the state and capital as an external relationship between separate actors, and the absence of class analysis from their views of the state. This has led mainstream approaches to ignore the multiple actions of the state in mediating and organising the interests of the different fractions of capital. In point of fact, this thesis approached the state from the philosophy of internal relations which means the relationship between the state and business associations is not external. This thesis also critically engaged with Ralph Miliband who argues that the state is a tool in the hands of capitalist classes, as this approach fails to recognise the contradictory relations between different power and capital groups in the hegemonic power bloc.

This thesis, therefore, applied the arguments made by Poulantzas against the instrumentalist idea of the state. It argued that the usefulness of a Poulantzian understanding of the state is its focus on the institutional materiality of the state. In this endeavour, it provided a theoretical basis to understand how the organisational matrix of the Turkish state has changed between 2002 and 2006. Secondly, Poulantzas argues that the state is the material condensation of class struggles between different power and capital groups which directly engages in the reproduction of the social relations of production. To challenge the instrumentalist understanding of the state, he argues that the relationship between the state and different class fractions is not static and unidirectional. Rather, there are always contradictions and dialectical relationship between them. This means class struggle is not exclusively constructed to the state. At this point, the thesis applied the concept of relative autonomy to characterise the relationship between the state and capital. The state plays an intertwined economic role in the social relations of production and also a political role in the class struggle. The role of the state is to manage the contradictions within the power bloc and secure the unity of the dominant classes while disorganising or obtaining hegemony over the dominated classes. The state's functioning might therefore benefit some fractions of capital over others.

The role of the state is not restricted to managing the contradictions between the dominant classes, but also shapes the relationship between the dominant and dominated classes. This thesis focused on contradictions arising from the process of state restructuring. In this context, it applied to the concept of hegemony, which was initially articulated by Gramsci and reappeared in a different sense in Poulantzas. This is understood not just as an ideological phenomenon but also a political practice which brings together the dominant and dominated classes. Hegemony is applied to the relations between dominant classes as well as the relationship between dominated and dominant classes. Since the dominant classes are divided into fractions, they must be organised under the hegemony of one fraction which is able to secure the overall interest of the dominant classes. The hegemonic class within the power bloc also disorganises the dominated classes by getting their active consent.

In accordance with the U&CD approach, the thesis argued that every state has intervened in the economy in different ways. Specifically, in the transition from the ISI model, many states were encouraged to readjust their economies in accordance with Washington Consensus or post-Washington Consensus principles. In general, the thesis sketched out the role of the state as the agency that appropriates and disburses surplus value through taxation and expenditure, regulates the operations of capitalists, and manipulates exchange rates through macroeconomic policies. Accordingly, the thesis explained the shifting role of the state in the process of internationalisation of capital. Contrary to mainstream approaches which argue that the role of the state is downgraded in the era of neoliberal globalisation, the kernel of the argument of this thesis is that the process of internationalisation of capital did not surpass or bypass national states or spawn a transnational state. On the contrary, nation-states have taken on different roles in this process. Neither the space of the state nor the space of transnational capital is superior to the other. This means that the internationalisation of capital has influenced the internal structures of the various forms taken by states. However, the role of the state in this period is to formulate new regulations in accordance with shifting patterns of capital accumulation and to mediate the contradictions between different fractions of capital. The state, therefore, exercises its capabilities within national borders as well as at a global scale. The thesis, therefore, argued that the functions of the state were also internationalised in a sense that contributes to managing the international capitalist order in different ways. This is essential as nation-states in this period were responsible for creating the necessary internal conditions to maintain the global expansion of transnational capitalist relations of production, and at the same time, to translate the interests of transnational capital, and secure the global integration of capital within its national borders. What is more important here is that fractions of capital which are willing to integrate into global relations of free trade needed state support more than ever before.

8.3. From the Abstract to the Concrete: A Class-based Analysis of Business Associations

Having presented various theoretical approaches to free trade, and to the role of the state in the neoliberal period, this thesis outlined the historical consolidation of capitalism in Turkey to provide an overview of the **core research question** which is: What is the role of business associations in Turkey, particularly TUSIAD, MUSIAD and TUSKON in analysing the relationship between global free trade relations and Turkish social formation between 2002 and 2016? In accordance with the U&CD approach, the thesis demonstrated that Turkey did not need to repeat the process of capital accumulation in advanced capitalist countries. Hence, it divided the process of capital accumulation in Turkey into three different periods which are: (i) commercial and agrarian capital-based accumulation until the 1950s, (ii) industrial capital-based accumulation (the ISI model) until the 1980s, and (iii) export-led capital accumulation in the post-transition period which initiated the internationalisation of Turkish capital. This is a version of abstraction which suggests examining the questions by dividing them into particular units and patterns in which the thesis seeks to grasp the whole picture.

To clarify the **core research question** and to provide a material basis for the **sub-questions** of the thesis, Chapter IV examined the current characteristics of capitalism in Turkey. The chapter argued that production in Turkey is dependent on imports, which underpin the expansion of assembly production in the automotive, durable consumer goods, textile and garment industries. In the period of the internationalisation of productive capital in the 2000s, the larger capital groups in Turkey aimed at shifting their production from producing limited surplus value at the margins of assembly production to higher value-added accumulation and mechanisation. Accordingly, Turkey welcomed FDI at the highest rates in its history. In Table 3 in Chapter IV, it was indicated that FDI inflows increased from \$5 billion in 2001 to \$25 billion in 2007, while export volume rose from \$50 billion in 2001 to \$150 billion in 2012. However, around 60% of export production is import-dependent. Turkish imports are dominated by intermediary goods (72.7% in 2008), whereas exports are dominated by industrial products (51.3%) and to a lesser extent consumer

goods. This shows that Turkey's place in global production chains is mainly as an intermediate producer which assembles imported resources into finished goods. This has increased the dependency of Turkish capitalist classes on the global market to reproduce the social relations of production. This provides the overriding rationale behind the expansion of larger capital groups towards the international market, on the one hand, the integration of SMEs into global relations of free trade, on the other.

The **first sub-question** of the thesis is, “What are the class characteristics of the three business associations in relation to the social relations of production in Turkey?” In response to this question and with reference to Poulantzas, the thesis argued that business associations in Turkey are constitutively divided into class fractions. Accordingly, it argued that these business associations are not monolithic blocs without contradictions and cracks. It, therefore, argued that the fragmentation of capitalist classes in Turkey is not only based on religious, ideological and cultural dynamics. To a considerable extent, what differentiates them is the way in which they engage in the social relations of production, what role they play in the power bloc, and their specific forms of integration into global relations of free trade. This means the fragmentation of business associations is not only a result of religious and cultural dynamics (such as secularism versus Islamism). As classes only exist in the class struggle (Poulantzas [1974] 1975:14), this thesis mostly refrained using concepts like “secular bourgeoisie”, “Islamist bourgeoisie”, “Anatolian Capital”, “Istanbul Capital”. To locate the three business associations in the class structure and struggle, this thesis explored the component companies' class formation in relation to the social relations of production in Turkey which form the material basis for the class characteristics of the business associations. In order to answer this question, the thesis explained the historical integration of Turkey into global free trade relations, and provided some reflections on uneven development of capitalism in Turkey: firstly, state intervention appeared as the precondition for the emergence of the capitalist relations and the formation of the commercial bourgeoisie, and secondly, the adoption of economic regulations such as five-year plans involved a specific path of transition to capitalism. The thesis demonstrated that the process of capital accumulation of the larger fractions within TUSIAD was started through foreign trade

based on accumulation of commercial capital. This is the result of the uneven expansion of global free trade relations, which also changed class formation and power relations in Turkey. Accordingly, it demonstrated how the shifts in patterns of capital accumulation provided a conducive space for the emergence of business associations. The ISI model based on concentration and centralisation of capital resulted in the transformation of the commercial bourgeoisie into an industrial bourgeoisie through a reorientation to production for the internal market and capturing the smaller firms. The form of the state was also changed by the military regime in the post-1980 period which carried out the transition to neoliberalism. Class-based politics was ended and the relationship between the state and the larger capital groups represented by TUSIAD was intensified. This intervention of the state also led to the rise of the industrial bourgeoisie, such as KOÇ, SABANCI and CUKUROVA Holdings, which established TUSIAD in 1971.

The establishment of TUSIAD in 1971 coincides with an epoch of rapid and economic social change, and of large-scale restructuring of the mode of capital accumulation. This period also coincides with the internationalisation of Turkish capital. In this context, it was argued that the establishment of TUSIAD represented the organised demands of larger capital groups whose activities range from metallurgy to steel but which were united by the purpose of integrating into global relations of free trade. Contrary to mainstream approaches and in response to the **first sub-question** of this thesis, the thesis argued that the emergence and rise of TUSIAD did not come at the expense of the state, but nor the state create this fraction of capital. It argued that industrial capital in Turkey has its own history and characteristics, and the relationship between the state and TUSIAD is constructed and shaped with regard to the specific circumstances influenced by the changing patterns of capital accumulation. The thesis also argued that the capitalist classes in Turkey are not mirror images of the rising bourgeoisie in the advanced capitalist countries.

The thesis also argued that TUSIAD represents the first generation of the Turkish bourgeoisie and that it has established a specific hegemony over other business associations in Turkey in terms of its sales, production, foreign trade and transnational networks. Accordingly, it was shown that member firms of TUSIAD

create 50% of the value added in Turkey; 80% of Turkey's total foreign trade; more than 50% of the non-agricultural, non-governmental workforce; and 80% of the corporate tax revenue. The larger capital groups in TUSIAD are named as KOÇ, SABANCI, ANADOLU, ECZACIBASI, BOYNER, OYAK, DOGUS, DOĞAN, DINCKOK, ENKA and TEKFEN, which dominated most economic sectors and were the first capital groups in Turkey to become internationalised. This thesis demonstrated that the combined share of TUSKON- and MUSIAD-affiliated companies in the top 500 industrial companies list published by the ISO in 2009 was 7.48%, while the share of a single company, TUPRAS, owned by KOÇ Holding was 7.56%. In the Top Exporters list in 2016, nine out of ten top exporters are TUSIAD members. The larger groups within TUSIAD focus on energy, technology, automotive and finance, and have stopped their operations in secondary sectors. For instance, SABANCI holding exited from textiles, DOGUS, TEKFEN and KOÇ Holdings exited from the retail industry, and DOGUS and TEKFEN Holdings exited from the food sector. The reason for these exits is the increasing trend towards monopoly in some sectors, which has decreased the extraction of surplus value in these sectors. In short, most of the companies within TUSIAD are transnational capital which have production networks outside Turkish borders. There are also internationally oriented companies in TUSIAD which produce for export and their mode of production is tightly integrated into global relations of capital accumulation through subcontracting and joint venture agreements. TUSIAD, therefore, represents the companies which are socioeconomically dominant in the current social formation in Turkey, and they are the *hegemonic fraction* of the bourgeoisie in Turkey. To expand its hegemony, TUSIAD also initiated the establishment of TURKONFED which represents over four thousand SMEs. The main purpose of TURKONFED was to challenge the hegemony of MUSIAD and TUSKON over SMEs. This reflected the class struggle between different business associations. The internationalisation of capital in the 1990s opened new spaces for the capital groups within MUSIAD and TUSKON. They operated in the sectors which were abandoned by the larger, TUSIAD-linked capital groups. Additionally, they established business networks with the help of tariqats and religious communities, relying on mutual trust and patrimonialism. In the 2000s, some members of MUSIAD transformed into larger-scale enterprises, which became able to compete with the

larger capital fractions within TUSIAD. However, the total market share of MUSIAD- and TUSKON-affiliated companies are still much lower than that of TUSIAD members. In this regard, it was argued that although there are some larger capital groups in MUSIAD and TUSKON, these associations mainly consist of SMEs which are mainly export-oriented producers. The thesis demonstrated that the majority of MUSIAD members are internationally oriented companies producing for export. These companies operate mainly in the infrastructure, construction, logistics, furniture, services, transportation, and textiles sectors. These sectors basically require low-tech production facilities with a cheap labour force, and MUSIAD members are best-placed to win state bids and to get government incentives in these sectors. Additionally, it argued that some members of MUSIAD appropriate surplus value from assembly production. Paternalistic relations are another determining feature in regulating the relations of production for MUSIAD members, as the export-oriented market is dependent on a flexible labour market and some MUSIAD members rely heavily on municipal contracts. Most member firms discourage their workers from collective bargaining or joining trade unions, ostensibly because they think there is no need for a labour code if production relations are determined by Islamic principles. On the other hand, MUSIAD also represents larger, transnationally-operating firms which operate production facilities in different countries. The transnational fraction within MUSIAD mainly operate in the metal, construction, food and beverages industries, and hence are in lower value-added sectors than comparable TUSIAD firms. To negate the mainstream argument that MUSIAD and TUSKON are the representatives of Anatolian capital, it was argued that MUSIAD has members from every geographical region of Turkey, and TUSKON members have plants elsewhere in the national market. However, Anatolian regions are overrepresented in these associations relative to their economic strength. As stated in Chapter VI, according to the top 500 industrial firms list in Turkey published by the ISO in 2008, while MUSIAD has eleven members in Istanbul and Izmir, it has sixteen members in Anatolian provinces. Similarly, although there are various members with different scales and scopes in TUSKON, like Orkide, Boydak, Ipek-Koza, NAKSAN and Ülker Group, most of the firms in TUSKON are SMEs, usually operating in textiles, construction and services. The thesis argued that there are three different fractions of capital

represented within TUSKON. The first fraction consists of nationally-oriented companies which invest in the education, media, health and construction sectors. The second fraction consists of internationally-operating capital groups which mostly produce in Turkey for export. This fraction is the dominant one within TUSKON. They mainly operate in the iron and steel, copper mining, wooden products, sugar refinery, furniture, textiles, goods, tobacco and beverages sectors. The third fraction is transnationally operating capital which engages in production relations in different countries. They are directly supported by the state in their process of capital accumulation, are dependent on a cheap labour force, and seek to invest in international markets.

The **second sub-question** of my research is: “What is the role of the Turkish state in the process of integration of business associations into the global free trade relations, and internalisation of the interests of transnational capital in Turkey?” The main argument of the thesis is that the distinctive feature of the pre-AKP period was a lack of hegemonic power to secure and advance the interests of the different fractions of capital, and to manage contradictions between them, while disorganising the popular masses. With reference to Poulantzas, the thesis argued that the state is not a tool which is completely controlled by a specific class fraction. It was argued that the AKP emerged as a hegemonic power which unified different fractions of power and capital within the power bloc. It initially achieved the support of the different fractions of capital represented by TUSIAD, MUSIAD and TUSKON since the AKP eliminated the barriers and removed the obstacles to internationally-operating capital. In accordance with the theoretical arguments made in Chapter III, the Turkish state entered global free trade relations by expanding its base of production. In practice, the AKP has restructured some ministries like the Ministry of Foreign Affairs, the Ministry of Foreign Trade and the Ministry of Finance with the purpose of improving bilateral economic relations with neighbouring countries. The capacity of the Turkish state, therefore, increased to manage the regional expansion of Turkish capital. For instance, Turkey signed FTAs and conducted High-Level Strategic Cooperation Council Meetings with many different countries. The state played a more active and regulatory role in the process of internationalisation of productive capital in the

2000s. It was argued that TUSIAD has always played a crucial role in the power bloc in different ways at different times. For instance, it was part of the hegemonic project applied by the military regime after the 1980 military coup. It has taken a different role in the AKP period. In this thesis, the relationship is explained through concepts such as fractions of capital, power bloc, and hegemony. The thesis argued that the AKP's coming to power was a response to a hegemonic crisis in the power bloc, and that TUSIAD gave active support to the AKP in its early years in power, particularly supporting its efforts to restructure the state in the aftermath of the banking crisis in 2001. On the one hand, TUSIAD's presence in the hegemonic power bloc was crystallised in the 2000s, but on the other, the AKP maintained relative autonomy so as to organise wider patterns of hegemony in the power bloc, often by favouring MUSIAD and/or TUSKON. It, therefore, argued that the alliance between the AKP and TUSIAD was a win-win situation for both. Indeed, TUSIAD affiliates have benefited greatly from internationalisation in this period. For instance, the total assets of KOÇ Holding have risen from \$7.3 billion to \$51.2 billion in 2007. In the same period, the total assets of SABANCI Holding increased from 21\$ billion to 43,9\$ billion. OYAK and its shareholding companies have risen from \$4.6 billion to \$19 billion. Çalık Group's total assets have also grown from \$1 billion to \$3.3 billion, and ENKA Group's total assets have increased from \$1.86 billion to \$7.86 billion. Following Poulantzas, the thesis argued that the class struggle within the power bloc is not static, and it was demonstrated that the state cannot be examined exclusively as an instrument capital, or on the contrary, as an agent external to it. Accordingly, the thesis argued that the power relations between the AKP and TUSIAD shifted in favour of the AKP in the late 2000s. In this sense, this thesis confirmed the argument that the concept of hegemony is not reducible to the relations between dominant and dominated classes. The power struggle between the AKP and TUSIAD represents a struggle over hegemony inside the ruling power bloc. What caused the change in power relations between the AKP and TUSIAD are, firstly, the AKP's favourable treatment of internationally oriented fractions of capital organised within MUSIAD and TUSKON, secondly, the AKP's response to the demands of the IMF 2010, and thirdly, the constitutional referendum in 2010. However, the tensions between the AKP and TUSIAD did not persist indefinitely. Despite occasional disagreements, the state has

given continued support to TUSIAD through public enterprises providing cheap materials for the private sector, tax reductions, and state-private sector partnerships. In this situation, the thesis argued that Poulantzian theory is useful to grasp the ways in which the relationships within the power bloc are established and changed.

In the case of MUSIAD, the thesis argued that the way MUSIAD interacts with the state apparatuses through the reciprocal influence of state and capital within the power bloc is different. With reference to the arguments made in Chapter II, the specific material condensation of the relationship between the AKP and MUSIAD was crystallised through municipalities, chambers in Anatolian provinces and business foundations. These proved to be the best mechanisms for MUSIAD members to realise their specific interests at the state level, and to win public procurement contracts at the local level. The Poulantzian relational approach to the state based on class struggle within and outside the power bloc is used to understand this phenomenon. The thesis, therefore, argued that the relationship between the state and MUSIAD is constituted by their relationship to the social relations of production. Accordingly, it was stated that the reconfiguration of specific state apparatuses, such as the Ministry of Economy, Ministry of Energy, and DEIK, enabled MUSIAD to reach a more fundamental level within the structured relations of power, which led to hegemonic dislocation in the power bloc. These state apparatuses, to a considerable extent, increased the capacity of MUSIAD-affiliated companies to realise their specific class interests. On the other hand, the AKP was in a position to construct a degree of hegemony over the popular masses, and to win the cultural and economic consent of the dominated classes, with support from MUSIAD. Hence, this thesis argued that the relationship between the AKP, MUSIAD and religious foundations (ENSAR, TURGEV, İlim Yayma Vakfı, ÖNDER, TÜGVA) denote how the ideological functionaries of the state managed to win the active consent of the popular masses and to construct the AKP's hegemony within the civil society. MUSIAD is, therefore, given a special task to maintain the active consent of the popular masses that was not obtained by the previous governments. This thesis argued that TUSKON used different mechanisms and carried out manoeuvres relating to certain peculiarities in the establishment of the hegemonic project. The means the forms of integration of

TUSKON-affiliated companies at the state level were also distinctive. As TUSKON was affiliated with the Gülen Movement (now termed FETO), and was strategically situated in sectors such as education and the media, the group became the most significant ally of the AKP in the production of hegemony. It, therefore, had a specific flexibility to perform different manoeuvres at the national and international level. For instance, TUSKON was the main participant in large-scale international business events and official visits to foreign countries. The thesis indicated that the Ministry of Foreign Affairs, Ministry of Industry and Trade, Undersecretariat of Foreign Trade, and TIKA were some of the state apparatuses which gave bureaucratic and technical support to TUSKON companies and sponsored its activities in foreign countries. In this sense, the thesis argued that the political power of TUSKON does not only stem from its relations with different power groups but also the strategy it pursues in relations to the state apparatuses. The thesis also argued that both MUSIAD and TUSKON are representatives of SMEs and export-oriented capital. Although many companies have cross-membership in both MUSIAD and TUSKON, what distinguishes the two associations is TUSKON's role in the hegemonic project of the AKP government in the ten years prior to the schism in 2013-15. It was argued that the AKP's coming to power involved the integration of TUSKON into the power bloc. Following the model provided by Poulantzas, the thesis argued that there was a need for a hegemonic power which can unite the different interests of different fractions of capital in early 2000s Turkey, as a result of which the AKP established an alliance with the GM and the Gülen-affiliated capital which was later represented by TUSKON. Therefore, TUSKON have played a crucial role in constructing hegemony for the AKP, and acted as an institutional tool for reproducing hegemony within and outside the power bloc. More precisely, the presence of TUSKON in the power bloc was ensured by an alliance between the AKP and the GM which led to a dislocation of hegemony at the state level. It was also argued that the activities of TUSKON have expanded the AKP's hegemony using the strategic power of the GM. For instance, these dominant fractions controlled the media organs, occupied strategic positions in the state institutions, and eliminated old state elites and secular groups within the Turkish army. This means that the GM provided a basis to construct the hegemony of the AKP government and to maintain the unity of the dominant classes within the power bloc.

Accordingly, this thesis argued that the relations between different power groups are not static, and there are always contradictions within the power bloc. As an illustration, although there was an alliance between the AKP and the GM in terms of reconfiguring power relations in 2002-13, this alliance collapsed after the 17-25 December events in 2013. Before the tensions started, TUSKON was the most influential business association in the state apparatuses, but after the 17-25 Events, TUSKON were removed from the power bloc, and the strategic positions held by TUSKON members were replaced by different capital fractions. At the centre of the conflict was the issue of control over specific state institutions such as the police, army, and judiciary. Following Poulantzas, this thesis argued that the collapse of the AKP-GM alliance reflected the class struggle in the political field, and it was an accumulation of struggles which gave rise to the conflicts between the AKP and TUSKON at a time in which Turkey was experiencing internationalisation of productive capital.

In relation to the integration of business associations into global free trade relations, **the third sub-question** of my research is, “How do business associations in Turkey engage in global relations of free trade?” At this stage, the forms of Turkish business associations’ international integration and the spatial location in which they realise their commodities through free trade activities were unpacked. The thesis divided the internationalisation of Turkish capital into three junctures, which are: (i) internationalisation of commercial capital (1980-1989), (ii) internationalisation of monetary capital (1989-2001), and (iii) internationalisation of productive capital (2001-Present). In this sense, it argued that the integration of Turkey into the global relations of free trade is different from the advanced capitalist countries. The thesis argued that, in the advanced capitalist countries, the first circuit to be internationalised was productive capital. On the contrary, it was the circuit of commercial capital in Turkey. In this sense, this thesis applied to U&CD approach to grasp how relations of global free trade were crystallised in the case of Turkey.

The kernel of the argument made in this thesis is that internationalisation created unevenness among business associations, which led to a fragmentation between them. Accordingly, this thesis revolves around the argument that the contradictions

between TUSIAD, MUSIAD and TUSKON were crystallised in the transition to the export-led development period, as the three associations' constituencies were unevenly ready to internationalise in the 1980s and later internationalised in different ways and to different degrees. Following Samir Amin, the thesis argued that Turkey has started to produce industrial goods later than the most advanced countries, and the expansion of international capital into Turkey only occurred in the late 20th century. The way Turkey internalised the interests of transnational capital and the way capital became internationalised are important factors in understanding the different ways in which the various circuits of capital were combined and internalised. As the U&CD approach predicts, internationalisation has also created unevenness within Turkey, i.e. unevenness between sectors, and between different circuits of capital. In this sense, the thesis argued that the companies organised under TUSIAD integrated into the global relations of free trade prior to the companies organised under MUSIAD and TUSKON, which gave them an opportunity to dominate the most valuable circuits of capital. Subsequently, it was demonstrated that the monopolisation of access to the global market by TUSIAD members was the main obstacle to the development of MUSIAD and TUSKON. However, the members of these associations have become much more integrated into the global free trade relations due to the internationalisation of productive capital since 2001 and the diversification of trade partners.

It was argued that TUSIAD represents the most trans-nationalised fraction of Turkish business associations. It has representative branches in Berlin, Beijing, Paris, Washington. It also established *TUSIAD International* to encourage FDI and to increase network opportunities for its members. The larger members have plants elsewhere in the international market. The patterns of capital accumulation pursued by TUSIAD members constantly change with regard to the shifting patterns of global free trade relations. It was also stated that TUSIAD has been the catalyst for the integration of Turkey into global free trade relations as TUSIAD-affiliated companies expanded into neighbouring countries, even in the aftermath of the 2008-9 global financial crisis which hit Turkish foreign trade badly. As my interviewee, Zafer Yavan, also mentioned, TUSIAD members expanded their base of production in countries in

which costs of energy, production and employment are lower than in Turkey. For example, SABANCI Holding produces cord fabric and synthetic fibre in Iran, Indonesia, Thailand, China, and South American countries; and KOÇ and ENKA Holdings produce steel in China.

While most of the larger capital groups in TUSIAD integrated into the global market in the 1980s and 1990s, MUSIAD and TUSKON members were not ready to internationalise their base of production and therefore concentrated on producing in local provinces in this period. They started to engage in the global relations of free trade in the 2000s, simultaneously with the rise to power of the AKP. The thesis argued that this time-based difference created enormous imbalances between MUSIAD-TUSKON and TUSIAD members, which arose out of the uneven development of capitalist relations in Turkey. However, this imbalance also created opportunities for MUSIAD and TUSKON members. For instance, the internationalisation of monetary capital in the 1990s attracted Saudi and Gulf capital into Turkey, and this process also increased the amount of remittances from Turkish workers in foreign countries. This led to the emergence of Islamic banking in Turkey, which provided credit opportunities for MUSIAD members to integrate into global relations of free trade in the Middle East and North Africa. The establishment of Bank Asya also coincided with these developments. This bank engaged in financial activities and supported the industrial activities of TUSKON-affiliated companies. In this period, most MUSIAD members targeted sectors which do not require long-term or risky operations, and which do not require high-tech investments or skilled labour, such as the tourism, retail and construction sectors. Overall, the thesis argued that the rise of MUSIAD and TUSKON was a process of transformation in the patterns of capital accumulation and the uneven development of capitalism within the Turkish social formation.

What makes TUSKON distinctive is also the markets they targeted. For instance, the preferred investment areas for TUSKON are (initially) Central Asian and (later) African countries. In the case of the Central Asian market, it was shown that Bank Asya played a decisive role in investing and transferring money from Turkey to these countries. In the case of the African market, it was demonstrated that the specific methods of

integration are generally, sub-contracting and exporting. It was also argued that Turkish schools and Trade Bridges are the most important mechanisms which TUSKON used to integrate into global relations of free trade. Turkish schools funded by TUSKON are not just ideological instruments, but also provide an economic network facility for TUSKON member companies. In this sense, the transnational networks of firms affiliated with TUSKON were not only constructed from an economic perspective, but also from a non-economic perspective.

Overall, the internationalisation of Turkish productive capital in the 2000s transformed some fractions within TUSKON from commercial capital into productive capital, and from national capital to a more international kind of capital. This was not based on an external relationship between the state and TUSKON, but arose on the basis of specific power relations within the power bloc, which arose to secure the hegemony of the AKP. After the collapse of the alliance between the AKP and TUSKON, the power relations between different business associations and power groups within the state structure were reshaped. Importantly, however, the state still plays its role in securing the long-term interests of the different fractions of capital and securing its own hegemony within the power bloc.

8.4. Additional Proposals for Future Research: The Changing Tendencies of Free Trade and the Transformation of the State

Global politics is undergoing a process of transformation in recent years, which has affected the complex relations between the free trade regime and the role of national states. This transformation has had different impacts on different countries. As stated in Chapters II and III, trade openness has increased inequalities within and between countries, regions and sectors. These inequalities have resulted in various forms of protectionism in foreign trade regimes, and a return to authoritarian statism. For example, Free Trade Agreements have come under fire. The US President Donald Trump abandoned the Trans-Pacific Partnership (TPP) trade deal which was supposed to cover 40% of world trade and create a new single market (BBC, 23 Jan 2017). The Transatlantic Trade and Partnership Agreement (TTIP) talks between the US and the EU were also stalled in 2016 (CHN, 02 Feb 2018), and the North American Free Trade Area (NAFTA) will be renegotiated. In addition to this, the UK decided to leave the EU

after a referendum on 23 June 2016 (BBC, 30 Jan 2018). These shifts reflect difficulties in securing hegemony at a national scale in a grossly uneven world market, particularly given the economic downturn following the 2008-9 crisis.

The rising tendency towards protectionism, which has arisen out of Brexit and Donald Trump's inauguration, increased TUSIAD's worries about global free trade relations. TUSIAD continues to be committed to a neoliberal model of free trade, with states restricted to an institutionalist role in supporting capital accumulation. According to a report published by TUSIAD, protectionist policies in Western countries may cause trade wars across the world, and if the advanced capitalist countries stop producing in backward countries, this will create negative outcomes for the future of the world trade (TUSIAD, 2016:4). As Yavan mentions, "we believe the EU project is a prototype of the globalisation project. Any potential collapse of the EU would mean the collapse of globalisation" (Interview 1, 18 Aug 2016). TUSIAD also has worries about the potential negative outcomes of Brexit since the UK is the second largest export destination for products from Turkey in 2015 and 2016 (TUIK, 2017). Brexit may cause significant challenges for both sides, including the Customs Union Agreement (Mynet Finans, 25 June 2016).

The contemporary shifts in global free trade relations also influenced state-capital relations in Turkey. As argued in Chapter 7, the global economic crisis which began in 2008 has reduced the capacity of the AKP government to unify different fractions within the power bloc and to secure the different interests of the three business associations. As a result, there has been a transformation of the organisational structure of the state, including class and power relations within the power bloc. The most significant development the failed coup attempt which left 241 people dead and 2,194 wounded. Under the state of emergency, decrees issued by the President and cabinet enter into law without parliamentary debate (Demirtaş, 03 Jan 2018). This vastly empowers the executive branch against the rest of the state apparatuses and power bloc, and thus allows the government to regulate the organisational matrix of the state, capital-labour relations, and even traffic rules without consultation within the bloc. Since the failed coup attempt, five general strikes have been banned during this period (Evrensel, 17 Jan 2018). This provides a pretext to

disorganise the working-class and strengthen the power of capital to operate export industries based on cheap, docile labour. The President, Recep Tayyip Erdoğan, stated in his speech at the TOBB conference to foreign investors that:

We are using the state of emergency to provide a secure environment for business to work better. Do you have any interruption or problem in your business activities? When we came to power we had state of emergency. But, all the factories were under the threat of general strikes. Is there something similar at the moment? Actually, it is the opposite. We immediately intervene in the places which are under the threat of strike with the help of the state of emergency. We say “NO”, we do not allow strikes because you cannot harm our business world (Evrensel, 12 July 2017).

This underlines that the state uses the state of emergency to get the active consent of the dominant classes, especially those which are important to its hegemonic project. This is crucial if the AKP is to reproduce its hegemony through its symbolic and material power. On the part of TUSIAD, which seeks to bring Turkey in line with Western-led international norms, it declared that the state of emergency must be ended as soon as possible, warning that foreign investments are in decline due to the ongoing state of emergency (TUSIAD, 18 Jan 2018). More precisely, the honorary president of KOÇ Holding, Rahmi Koç, stated that KOÇ Holding must shift its production facilities towards the international market in light of the context in Turkey, and declared that it is going to invest mainly abroad from now on (Yildirim, 18 Jan 2018). This might be considered as a tactical manoeuvre of KOÇ Holding in the state of emergency situation. As this group represents the most transnationalised fraction of the bourgeoisie in Turkey, it extends the power struggle into the international domain and leverages its capacity to use different spaces to reproduce and reshape the power relations between the state and capital. However, since the state of emergency was issued, the profits of the companies affiliated with TUSIAD have soared. KOÇ, ENKA, TEKFEN, ANADOLU, SABANCI, and ZORLU Holdings are the most favoured companies which have profited most over the state of emergency period (Gazete Duvar, 06 Feb 2018). On the other hand, the president of MUSIAD stated that there has not been any negative consequence of the state of emergency

for the business world, and suggested that it should be used to increase incentives and to rectify imperfections in the market (Sabah, 12 Aug 2016). As their uneven integration into global free trade relations has different impacts on the social classes in different countries, so the workers in Turkey suffered from the expansion of capitalist social relations of production which have benefited large capital, the state, and certain sections of SMEs. In all the struggles between different power groups, it is the workers of Turkey who lose out in this process without the right to be properly represented by the trade unions in the climate of the state of emergency.

Overall, the transformation of the state regime in Turkey after 15 July 2016 crystallised with the transition to the presidential system after the referendum on 15 April 2017. This changed the class and power relations, which is a win-win situation for both the government and the capital groups for different reasons. On the one hand, the centralisation of decision-making channels, and domination of the executive over the judiciary and parliament work in favour of whichever capital groups which have influence in the power bloc, since the necessary measures are taken swiftly without debate in the parliament. On the other hand, the organisational matrix of the state is restructured in such a way as to make it more difficult for capital fractions to criticise or resist state policy. More precisely, the hegemonic power can regulate the different interests of the different fractions of power more forcefully for the continuity of its own hegemony. However, a further research is needed to grasp the contemporary modifications in the transition to the presidential system, how this system will respond to shifts in global free trade relations, and to what extent the state engages in the formation of new power relations. To conclude, a future research should investigate how companies organised within MUSIAD and TUSIAD will respond political and economic crisis of Turkey in the recent years. The economic crisis of 2018 may result in concentration and centralisation of capital as the smaller fractions will potentially go bankrupt. This is because the companies which do not operate across borders, in other words, those of which are not already transnationalised their relations of production, will be unevenly affected by the depreciation of Turkish lira. On the other hand, larger fractions, whose production process are not dependent heavily on import, may capture the smaller fractions

those of which will potentially go bankrupt. Accordingly, a future research should also explore how class power and relations will be reconstructed in the power bloc, and how the state will be able to manage and mediate the different interests of different fractions of capital. This also requires examining how international developments in the arena of global free trade, such as trade wars between advanced capitalist countries and protectionism in global free trade, might influence the location of Turkey in the global capitalist system.

Appendix I: The List of Interview Questions

Interview with Academics in Relation to the Three Levels of Analysis

- 1- Questions on Social Relations of Production and Business Associations
 - a. How would you define Turkish business associations in terms of their class characteristics? Would you define business associations as national, international or transnational?
 - b. Is it accurate to divide business associations as the organisation of “secular or Istanbul based capital” or “Islamist or Anatolian based capital”?
 - c. Do you think TUSKON and MUSIAD have used Islamist discourses and practices as a means which facilitated their process of capital accumulation?
- 2- Questions on the role of the State and State-capital relations
 - a. How would you define the Turkish state?
 - b. Does the state act as a rational actor, in other words, does the state act with its class consciousness?
 - c. Which state apparatuses are vital in terms of facilitating the relationship between the state and business associations?
 - d. How does the Turkish state manage the contradictions among business associations?
- 3- Questions on Free Trade
 - a. What is important in analysing the integration of different business associations into the global free trade relations?

Interview with Business Associations and Firms/Holding Companies.

- 1- Questions on the Organisation of the Company/Business Association
 - a. What is the motivation behind establishing this association?
 - b. Who is responsible for policy making, and how the decision-making process work?
 - c. How does the membership procedure work?
- 2- Questions on Production
 - a. In what ways do your company engage in production?
 - b. Do you prefer to produce in Turkey or abroad, why?
 - c. What are the advantages and disadvantages of producing in or abroad?
 - d. Which sectors do you operate in, and why?
- 3- The Relationship with other business associations?
 - a. Are there different positions on foreign trade policies of the AKP government among business associations?
 - b. What are the changes in your structure and activities during the AKP era?

- c. How do you perceive the West, Western values, and organisations such as the EU and the WTO?
 - d. Do you have common policies/strategies with other business associations?
- 4- The Relationship with the State
- a. How would you define the state?
 - b. What kind of state/government do you want?
 - c. Do you have regular meetings with government officials, if yes, which specific ministries and state apparatuses?
 - d. How do you evaluate the possibilities of your association to influence policy-making of the government?
- 5- Questions on Free Trade
- a. What is your position in free trade policy of the government?
 - b. What do you think about TTP and TTIP, are you worried about the possible outcomes of the Brexit?
 - c. Which countries are your main trade partners, and why?
 - d. Which international links do you have?
 - e. What are your strategies to compete in the global market?

Appendix II: Index of Interviews

Interview 1, [Zafer Ali Yavan], the General Secretary of TUSIAD between 2009 and 2016, Interview Info: 18 August 2016.

Interview 2 [Ahmet Turan Ergüt], MUSIAD Sivas Branch, Interview Info: 04 August 2016.

Interview 3 [Ismail Karataş], A MUSIAD member in Sivas, ISKAR YAPI Chairmen of the Executive Board, Interview Info: 01 August 2016.

Interview 4 [Name Withheld], MUSIAD Sivas Branch, Interview Info: 04 August 2016.

Interview 5 [Fuat Ercan], Professor at Marmara University, Interview Info, 17 August 2016.

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