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Business, Ethics and Institutions

The Evolution of Turkish Capitalism in Global Perspectives

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5 Islamic Capitalism and the Rise of Religious-Conservative Big Business

Kristin Fabbe, Ümit Özlale, and Efe Murat Balıkçioğlu

Discussing the role of politics in the development of Turkish capitalism in Chapter 3, Buğra begins her analysis with Gerschenkron's argument, which postulated that capitalism should be viewed as a system that varies across societies and transforms itself in accordance with changing domestic and international factors.¹ Equally important, however, is the other side of the equation—that is, the ways in which capitalist systems transform economic and political elites. The success of economic and political elites may critically depend on their responsiveness to the different stages of capitalist development, rendering the study of their beliefs and actions critical to understanding any particular capitalist transformation. This chapter examines how conservative economic and political actors in Turkey have positioned themselves, from the late 1960s until the present, with respect to capitalist development while simultaneously accruing political, social, cultural and economic power.

This chapter argues that the rise of "Islamic capitalism" and the country's so-called "conservative bourgeoisie" owes much to the pragmatism and agility of Islamic actors who are quick to seize upon new economic and political opportunities by leveraging religious identity markers, religious discourse, and religious networks. By revealing their pragmatic approach to introducing the idea of Islamic capitalism in Turkey, and especially their efforts to distinguish it from capitalism more generally, the chapter sheds light on how religious and cultural values *both shape and are shaped by* the economic imperatives of participation in the global economic system. We find that Islamist political actors and pious business elites have molded business culture in ways that are mutually beneficial, selectively drawing upon ethical norms and religious networks in an adaptive fashion. We find that over the last fifty years, as they constantly shift and adapt Islamic values to justify economic positions and policymaking, the country's political Islamists and the emergent pious bourgeoisie alike have consistently sought to increase their power and influence vis-à-vis the coastal big-business elite and their traditional political allies.

Section 5.1 starts with an analysis of Turkey's business history before 1980 that focuses on two interrelated themes in the Islamist movement: first, its ideological responsiveness and practical flexibility and, secondly, its insistence on erecting boundaries around concepts such as "Islamic capitalism" and the "pious bourgeoisie," so as to distinguish conservative businessmen from the traditionally dominant players in Turkey's economy, despite the fact that they too were predominantly Muslim (although many held secular worldviews).² Curiously then, common tropes that depict tensions between "secular business" and "Muslim business" obfuscate the fact that the salient cleavages in Turkey's business community probably have less to do with nominal religious identity and more to do with class and region—what Buğra calls the first generation of "state-created bourgeoisie," located primarily in Western coastal regions, vs. the second generation of "state-created bourgeoisie," located in Anatolia and the periphery.³

Next, we analyze the emergence of a distinctly pious business community in Turkey during the formative period between 1980 to 2002, when Turkey began liberalizing its economy, embracing globalization and ceding ground to Islamist politics. A grievance-based discourse, around which this business community formed itself, decried the exclusion of conservative entrepreneurs in the provincial towns of Anatolia from the economic benefits doled out to large holding firms during the statist and import substitution periods.⁴ Whether such exclusion was real or imagined, intentional or unintentional, Islamist politicians seized upon the narrative with vigor and used it as a justification for founding voluntary organizations, banking systems and business associations of their own, including MÜSİAD (Independent Industrialists' and Businessmen's Association), the leading business association representing the pious business community.⁵

The final section of the chapter focuses on the AKP era and the increasing dominance of the conservative bourgeoisie. We argue that as the boundaries between business and politics became further blurred, Islam was leveraged as a network and ideational resource with increasing effectiveness. Initially, the AKP used the prospect of EU accession and neo-liberal policies to secure its place on the political scene and to facilitate capital accumulation within the pious business community. As the first decade of the twenty-first century progressed, AKP-friendly holding companies and conglomerates gained power as the state granted resources to these large enterprises through patronage strategies rooted in privatization schemes and changes to public procurement laws.⁶

5.1 Capitalism from an Islamist Perspective: Erbakan's "Millî Görüş," 1969–1980

From the end of one-party rule in 1945 to the 1960 military intervention, the balance of political and economic power in Turkey skewed heavily

in favor of state elites. Although the DP, which ruled between 1950 and 1961, demonstrated a commitment to private sector expansion, it proved unwilling to relinquish the advantages that could be reaped through direct, ad hoc government intervention into the economy. It was therefore only after 1960, when the DP's poor economic performance and authoritarian tendencies led to the party's ouster in a coup, that the Turkish business community was able to begin asserting influence over economic policies as well as garner political power of its own. As Buğra and Savaşkan have outlined in their authoritative work on Turkish capitalism, chambers of industry and commerce had become fora for political debate in the multi-party era, yet they also hindered private-sector interests from collectively organizing around particular issues.⁷ The chambers were (and still are) organized by region, as opposed to sector, and had compulsory membership, which meant that under the umbrella of each regional chamber sat a wide variety of enterprises. Big business in particular became increasingly disenchanted with this organizational structure, as it struggled to exert its prerogatives in the face of resistance from each chamber's multitude of smaller firms.

In this environment, the first voluntary big-business association, TÜSİAD (Turkish Industry and Business Association), was established in 1971, with the objective of strengthening the political clout of its members. TÜSİAD developed into a significant actor in Turkish politics, and it was not until nearly two decades later that other associations with overtly religious prerogatives and discourse—namely MÜSİAD, AKSON, and TUSKON, described later in this chapter—emerged as counterweights to TÜSİAD. Still, Islamists began cultivating influence in Turkey's political-economy long before the formation of business associations with pious leanings. A case in point is Necmettin Erbakan's Islamist National Outlook (*Millî Görüş*) movement, an influential political faction that evolved in tandem with Erbakan's own involvement in Turkey's business community. Erbakan's contested role in Turkey's business associations, as well as his political pronouncements and maneuvering, provide a window into the early discursive and political strategies used to mobilize Turkey's Islamic capitalists.

Erbakan's involvement in the Turkish business community began in 1956, when he founded a motor factory in Turkey, *Gümüş Motor*, which he launched together with twenty other partners and the support of the influential Naqshbandī shaykh Mehmed Zahit Kotku.⁸ Erbakan, who had received his doctorate prior to the founding of *Gümüş Motor*, later became a professor at Istanbul Technical University in 1965. Drawing on his business experience, Erbakan believed that the country urgently required more heavy industry and manufacturing initiatives so that the economy could shed its dependence on Western technology and know-how.⁹ Eventually, Erbakan's efforts to establish motor factories in underdeveloped regions of Anatolia led him to become the General Secretary of

the Union of Chambers and Commodity Exchanges of Turkey (*Türkiye Odalar ve Borsalar Birliği*, TOBB) in 1967.¹⁰ In 1968, Erbakan set his sights on politics, resigning from his position as General Secretary of TOBB and declaring his intention to run for parliament on the ticket of Süleyman Demirel's center-right AP party in the conservative district of Konya. His application to the party was denied, leading him to return to TOBB as part of the Executive Committee, a position that eventually allowed him to win election to TOBB Chairman in May 1969.¹¹

Erbakan's second stint at TOBB also did not last long. The İzmir branch of TOBB soon claimed that Erbakan's election to the chairmanship of the association was dubious and the branch refused to cooperate with his office.¹² Then, some three months after his tenure began, the government and police intervened to force him out of the position. During this period, secular-minded industrialists often referred to Erbakan as a *takunyali* ("a clog-wearer"), a slur that emphasized his religiosity and "backwardness."¹³ Nonetheless, over the course of his tenure at TOBB Erbakan gained a reputation for opposing the hegemony of Turkey's urban, cosmopolitan, large-scale businessmen, many of whom had close ties with the Western world. In contrast, he supported policies in favor of provincial small businesses that traditionally lacked a direct say in TOBB decision-making and policy. According to Ruşen Çakır, Erbakan also increasingly worked to broaden his political appeal among middle-class Anatolian businessmen, lower-class provincial Sunnis and affluent conservative families with a secular upbringing, shaping a core support base for his future political parties. Erbakan's Islamist discourse appealed to these groups as it emphasized business ethics, social values and a conservative worldview.¹⁴

Erbakan's ouster from TOBB became part of an emerging narrative about how Turkey's first-generation capitalists were working with the state to repress the pious Muslim majority and their enterprises. And with this narrative now at hand, Erbakan shifted his attention back to politics. He again applied to Demirel's AP to become a candidate in the conservative Konya district. Demirel, however, had already been criticized for allowing other pro-Islamist cadres into the party, and had no intention of admitting Erbakan, vetoing his candidacy. In part, this decision stemmed from a fear that Erbakan's Islamist cadres would throw their support behind Demirel's political rival within the party, Sadettin Bilgiç, in an effort to remove Demirel from the party leadership.¹⁵ Shunned from the AP, Erbakan entered into the general election as an independent. After winning a seat in Turkish Parliament, he next set about forming what was to become one of the most influential conservative Islamist parties in Turkey, the National Order Party (*Millî Nizam Partisi*, MNP), along with eighteen like-minded right-wing politicians in January 1970.

The booklet published by the MNP's first party congress in 1971 outlined its political vision in great detail. The document is laced with

sweeping generalizations about the world as well as numerous *ad hominem* attacks against rival political leaders and parties. Ideologically, Erbakan followed the prevailing Cold War sentiments of the era and divided the developed world into two blocs, the capitalist and the Soviet. He accused Turkey's then-dominant parties—Demirel's AP and Bülent Ecevit's CHP (Republican People's Party)—of conforming to this divide, with the AP serving capitalist interests and the CHP favoring the Soviet camp.¹⁶ According to Erbakan, the Communist system infringed upon basic human rights and the capitalist system caused moral and social degeneration. As an alternative, his proposed system, the so-called National Order (*Millî Nizâm*), was based on "national" values and placed the imperatives of religious moral development above financial growth.¹⁷ The National Order Party's founding charter promised to respect the "democratic legal rights" of its citizens, yet the discourse the party embraced as "national" had a pronounced Islamic bent.¹⁸ Erbakan envisioned a political ideology in accordance with God, who was referred to in the party's texts as *Hakk* (the Truth), and he allowed little room for heterodox religious (i.e., non-Sunni Muslim) and political orientations. The National Order concept came under criticism almost immediately. For example, a Kemalist Professor of Law, Hıfzı Veldet Velidedeoğlu, argued that Erbakan's ideas would give rise to a grey zone for illegal practices and that the declaration of National Order was tantamount to a declaration of "*millî menfaat*" (vested interest in a national disguise).¹⁹ Several years later Erbakan would rethink his strategy and summarize his views under the banner of National Outlook (*Millî Görüş*), a more politically neutral term.²⁰

5.2 Erbakan, European Economic Integration and the Turkish Political Establishment

Turkey applied to join the European Economic Community (EEC), then consisting of six western and southern European nations, on July 31, 1959, soon after it had been formed. Turkey's application was welcomed but presented problems, as it was abundantly clear that the Turkish economy could not yet handle the market competition with European countries that accession would bring. Negotiators on both sides thus settled for a compromise: Turkey would begin a gradual process of integration into a customs union, with the idea of full Turkish membership to be revisited at a later date. The 1963 Ankara Agreement laid out the basic framework for eventual Turkish integration into the EEC.²¹ Accession to the EEC was a hot topic in Turkey in the late 1960s, especially after 1967 when Demirel announced that there would be additional protocols required for full accession. A wide spectrum of political parties, including Alparslan Türkeş' Nationalist Movement Party (*Milliyetçi Hareket Partisi*, MHP), the socialist Workers' Party of

Turkey (*Türkiye İşçi Partisi*, TİP) and Erbakan's Islamist MNP, came out in opposition to the accession process.²²

Interestingly, the booklet produced at the MNP's first party congress did not provide any alternative to accession or even substantial economic analysis. Instead, it cast blame on Turkey's incumbent politicians and made sweeping anti-Western generalizations about the nature of European institutions. For example, Erbakan quipped that, despite Turkey's abundance of resources, incapable AP politicians and the country's resultant lag in heavy industry had led to poor economic performance.²³ Similarly, he condemned future economic collaboration with Europe as a flimsy cover-up for a secret agenda intended to preserve a Zionist Israel, maintain European economic hegemony, and make way for the future colonization of Muslim countries by Western powers.²⁴ In another booklet published during the first MNP congress in January 1971, however, Erbakan did offer an alternative, proposing a common market between Turkey and Muslim states with which it shared common cultural and religious values, such as Pakistan and the Arab world. He also claimed that an international cabal of freemasons had impeded any such process.²⁵

Erbakan's most controversial move regarding the EEC came in the form of a provocative resolution presented to parliament after the formation of the MNP. The resolution alleged that the accession process was anti-constitutional and Demirel's politics were a crime against the national interest.²⁶ Like this resolution and the MNP party booklets, Erbakan's later speeches about the EEC followed a similar pattern, brimming with anti-Western invective and accusations that Demirel had sold out to Western interests.²⁷ He argued that Turkey's economy would be reduced to the production of agricultural commodities, such as cotton and tobacco, and would never develop a strong national military or industrial complex.²⁸ He also railed against Turkey's urban elite, accusing them of being cosmopolitan Zionist masons and Rotary members who worked in the service of Western powers.²⁹ In short, the "ethics" and "values" espoused by Erbakan and the MNP in this period were relatively vague, defined primarily in opposition to the interests of perceived domestic and international rivals. Still, when combined with Erbakan's ouster from TOBB and the alleged economic injustices perpetrated by the state in favor of first-generation capitalists, these ideas laid the foundation for a powerful narrative of economic (not to mention political) victimhood and repression—a narrative that would come to unite many conservatives under the banner of Islam.

5.3 From National Order to National Outlook: Islamists Adapt

In March 1971 the Turkish military delivered a memorandum and removed Demirel from power. As part of this "coup by memorandum" (often referred to as the *12 Mart Muhtırası* or March 12th Memorandum),

the military took control of the political domain and began to curb parties it considered radical, including Erbakan's MNP.³⁰ Within less than a year, the party was officially closed by the Republic's Office of the Chief Public Prosecutor (*Cumhuriyet Başsavcılığı*) on the basis of statements made in various MNP speeches. Most of the speeches had been secretly recorded and transcribed by state prosecutors between 1970 and 1971, and there were twenty-four statements held against Erbakan and other MNP delegates.³¹ Illuminating just how deeply intertwined economic, political and religious issues had become, one of the key statements used in the case against the MNP came from Erbakan's parliamentary speech about the EEC: the prosecution referenced a section of the speech in which Erbakan promised that the MNP would establish God's "just way" and eradicate the colonial (*müstemleke*) mentality of the Republic.³²

By the time of the next general election, in 1973, Erbakan had already started a new party with Islamist leanings: the National Salvation Party (*Millî Selâmet Partisi*, MSP). The concept of National Outlook now took center stage, and the MSP received 11 percent of the vote, becoming the third biggest party in parliament and eventually forming a brief coalition government with Bülent Ecevit's leftist CHP. For our purposes here, it is noteworthy that the years between the coup-by-memorandum and the 1973 elections had produced a marked turn in Erbakan's political discourse, which now included an even heavier emphasis on Turkish nationalism. Indeed, when the MSP-CHP coalition government collapsed after just 10 months, the MSP joined with nationalist parties, including the MHP, to form right-wing coalitionist governments in both 1975 and 1977.

The MSP election booklets from 1973, 1975 and 1977 were notably different from the MNP's first party congress charter issued in 1971. Erbakan's previous references to certain Islamic theologians (e.g., al-Ghazālī) and past Naqshbandī Sufi masters (e.g., Imām Rabbānī), which had been used as evidence in the MSP closure case, were conspicuously absent.³³ The MSP's 1973 General Election Manifesto used *Allah* only once in the preface.³⁴ Likewise, the 1977 General Election Manifesto mentioned God only once³⁵ and certain key Arabic words that connote Islamic piety, such as *mü'minler* (believers),³⁶ were replaced with more "neutral" Turkish translations (e.g., *inanırlar*).³⁷ Furthermore, by 1977 Islamic references had largely been replaced with mentions of early Seljuq and Ottoman rulers and educators such as Alparslan, Nizamülmülk, Orhan Gazi, Mehmed II the Conqueror and Akşemseddin.³⁸ This later party literature also deployed historical narratives that did not start with the early days of the Prophet Muhammad's life but rather with the battle of Manzikert in 1071.³⁹

In terms of economic policies, the MSP's 1973 Election Manifesto had little in common with the parochial economic vision presented by MNP in 1971. The 1973 manifesto included detailed sections on Erbakan's proposed policies regarding foreign trade, heavy industry, the working

class and the agriculture and fishing industries.⁴⁰ It also promised to lower taxes—and even waive them for the poor—and to fight against unreasonable interest rates (*fahiş faiz*) and wasteful government spending (*israf*).⁴¹ The 1973 manifesto did criticize the EEC accession process; however, this time the discourse was not dominated entirely by anti-Western rallying calls or *ad hominem* accusations against Erbakan's political opponents.⁴² The MSP's strategy for the 1973 general elections was to position itself as party that was going to strike a balance between social conservatism promoted via religious education and technologically minded innovation promoted via state planning and heavy industrialization.⁴³

The most detailed account of the MSP's economic policies, replete with data and figures, can be found in the party's 1977 General Election Manifesto. Again, the MSP had shifted, this time embracing a new vision of economic development (*kalkınma*)⁴⁴ based on the mobilization of energy resources and heavy industry. The 1977 Manifesto also led with a distinctly nationalist and populist slogan: "Make Turkey Great Again" (*Yeniden Büyük Türkiye*). This iteration of Erbakan's economic thinking did exhibit some continuity with past ideas—for example, he retained his moral stance against usury through interest rates, leaned into nationalist tropes and criticized cosmopolitan values—but there were also notable departures.

First, he emphasized a need for absolute transparency in government spending and proposed a special loan (*tam teşvik*) system to benefit the entrepreneurial working class,⁴⁵ especially for cooperative associations and local initiatives.⁴⁶ Touting its concrete results, the MSP claimed that in 1976, it helped open more than one hundred heavy industry factories from Edirne to Kars, with another hundred such initiatives in the works.⁴⁷ Instead of focusing purely on business interests from the provinces, the 1977 Manifesto underscored that the party was seeking a nationwide revitalization of the private sector, which it would begin facilitating by introducing incentive funds (*teşvik fonları*) via the Ministry of Industry and Trade.⁴⁸ Perhaps the most significant aspect of the 1977 Manifesto, however, was what it did not include—the MSP's previous antipathy towards the EEC was not mentioned even once. It is unlikely that this omission was coincidental, for opening to global markets was one of the central promises of the Party's new economic vision,⁴⁹ a policy the MSP continued to implement during the Nationalistic Front governments of the late 1970s.⁵⁰

In sum, we see gradual but notable changes in Islamists' economic views in the short period between the late 1960s and the end of the 1970s. First, their discourse softened, especially when it came to economics and business, and they appeared to imitate a more centrist right-wing model, with a particular emphasis on policies of "nationalization" (*millileşme*). Indeed, the movement's religious discourse was largely restricted to discussions regarding educational and social reform.⁵¹ By 1977, Erbakan

and his Islamist cadres had also toned down their anti-European rhetoric and come to tacitly support more open markets, export-driven development and direct assistance to Turkey's private sector via government grants and loans. Above all, however, the chaotic international and domestic politics of the 1970s had created new opportunity structures that served to benefit both political Islamists like Erbakan and eventually Turkey's pious business community, regardless of the appeal of religious morals, values or ethics. Internationally, Turkey was the heart of the so-called Islamic "green-belt"—a geographic zone that the United States and the Gulf monarchies hoped would act as bulwark against communism—and thus Turkish Islamist organizations became the beneficiaries of external funding.⁵² Domestically, it was hoped that the political cooperation between conservative Islamist and right-wing nationalists that had occurred between 1975 and 1980 could be spun into a more general model for enhancing social cohesion at a time when left-right violence seriously threatened Turkey's stability.

5.4 Globalization, the Emergence of a Conservative Bourgeoisie and the Role of MÜSİAD, 1980–2002

The industrialization wave that ushered in a structural transformation of the Turkish economy in the beginning of the 1980s has accurately been described as the emergence of industrial capitalism in a predominantly rural and mercantile society.⁵³ Generous structural adjustment loans from the World Bank helped the Turkish economy capitalize on trends towards globalization and financial liberalization. International organizations soon began touting Turkey as a model for the rest of the developing world.⁵⁴ At the same time, global post-Fordist production systems in labor-intensive sectors helped small and medium-sized enterprises in Turkey to become globally competitive in low-cost, low-tech sectors such as textiles, garments and furniture. However, it would be naïve to claim that these structural reforms would have gone as smoothly had it not been for the 1980 coup that installed a military government that quelled almost all potential domestic threats to globalization and financial liberalization. Between 1980 and 1983 the military regime banned labor unions and also largely turned a blind eye to social security violations.⁵⁵

The military government did not, however, seek to expunge religious ideas, institutions or actors from the political or economic realm. Rather, it made instrumental use of religious networks and values through the promulgation of the "Turkish-Islamic Synthesis" as national policy and the expansion of the role of the Presidency of Religious Affairs (*Diyanet İşleri Başkanlığı*, the Diyanet), an arm of the state bureaucracy charged with supervising the appointment and payment of religious functionaries to all mosques, and monitoring the production of religious knowledge through state-sanctioned channels.⁵⁶ Developed by a small anti-communist,

Islamist-conservative-nationalist organization called the Hearth of the Enlightened (*Aydınlar Ocağı*, AO), the Turkish-Islamic Synthesis was an Islamisation program designed to placate the social and political upheaval of the 1970s.⁵⁷ In 1983, Turkey's State Planning Organization (*Devlet Planlama Teşkilatı*)—which included members from the AO—prepared a National Culture Report on the basis of the Turkish-Islamic Synthesis in an effort to unify society around “the mosque, barracks and the family.” The report contained

a comprehensive strategy of cultural engineering . . . including the creation of a ‘model human’ and a pious (*dindâr*) Turkish nation through the expansion of religious education (including compulsory lessons) in schools, hospitals, prisons and worker's associations, and the promotion of Islam by the Diyanet . . . and the state public broadcasting agency.⁵⁸

The program both tapped into and reinforced what White has described as Turkish society's tendency to pursue its aspirations within powerful collective frameworks that glorify family and nation.⁵⁹

Taken together, these factors combined with the previous political maneuverings of Erbakan to help propel the emergence of a new industrial class—the devout bourgeoisie (or so-called Anatolian Tigers)—especially in the provincial towns of Anatolia. As Lord has shown in her definitive work on religion in modern Turkey, the number of Istanbul Chamber of Industry top 500 companies located in Anatolian Tiger regions grew in tandem with the vote-share of Islamist parties throughout the 1980s.⁶⁰ These Anatolian-based firms—many, but certainly not all, of which began as or remained SMEs⁶¹—gradually became integrated into the world economy, first by operating as sub-contractors for major Turkish firms and later by exporting directly, especially to the Middle East and North Africa (MENA) and former Soviet countries (see later in this chapter).

Although these firms realized that they had a vested interest in economic liberalization and globalization, they faced numerous obstacles to competing in world markets and raising capital for investment. Thus, they relied on a variety of faith-based resources: voluntary organizations, private institutions, business associations, religious networks and concepts of “religious proximity” and religious values. First, because a large number of these firms had limited funds for investing and access to capital, the pious business community sought to leverage faith-based voluntary organizations for capital-raising purposes as well as introduce new forms of banking. Second, Turkish SMEs had to develop and position new “pious” business associations to effectively lobby for state resources. Third, Turkish SMEs had to secure their export markets for low-tech goods, which was a challenge given that their Asian counterparts enjoyed

comparatively low production costs while their European counterparts produced higher quality goods, and thus they homed in on export destinations that were religiously proximate (i.e., Muslim-majority countries).

5.5 Leveraging Faith-Based Institutions to Access Finance

As military rule came to an end in 1983, the Motherland Party (*Anavatan Partisi*, ANAP), a coalition of conservative and Islamist politicians, won the first post-coup elections. Its leader, Turgut Özal, had already played a critical role in the first round of liberalization attempts made in 1980, and he planned to continue economic and financial reforms backed by international organizations including the World Bank and the IMF. Within this context, both the Turkish government and Anatolian companies deemed it important to attract the remittances of Turkish workers in Europe to help solve the balance of payment problems that characterized the first stages of structural reform. Generally speaking, these workers had migrated to Europe from conservative regions in Turkey and they tended to be pious Muslims.

According to Özcan and Çokgezen, a certain “euphoria around Islamic economics” developed around Erbakan's new Islamist Welfare Party (*Refah Partisi*, RP) and its affiliated organizations as they started Anatolian holding companies, in part with funds repatriated from Turkish workers in Germany. Capitalizing successfully on Islamic prohibitions against collecting interest, many of the pious businessmen who established these Anatolian holding companies followed Islamic finance principles “of profit and loss sharing or partnership finance through selling issued bonds of companies and investors to individuals, families and businesses.”⁶² In a short period of time these big Anatolian holding companies began actively supporting a wave of Islamic industrialization with what they called “Just Order” (*Adil Düzen*). The concept was central to the Welfare Party's political platform, which called for social and economic security, the protection of state property, an end to corruption, a fight against poverty and an end to excessive Western influence in Turkey.⁶³ Eventually, eleven of the large Anatolian holding companies attracted over 80,000 shareholders, most of whom were Turkish workers in Germany, “through the use of a wide range of Islamic associations, mosques and coffee houses, family and kinship networks” and without the use of intermediary financial institutions.⁶⁴

The conservative bourgeoisie also enacted other policies that sought to leverage Islam as a network resource. For example, Hoşgör finds that religious networks based on Islamic values and trust served many functions: sect members made joint investments, obtained loans from one another, established mutual assistance networks to purchase inputs, and distributed their products more widely by creating a religiously-attuned

consumer base.⁶⁵ These practices helped to solve SMEs' scaling problems and reduced transaction costs within an increasingly broad network. Meanwhile, the private schools, universities and dormitories founded by religious networks provided a ready source of labor. Silverman similarly provides numerous examples that illustrate the importance of personal relationships to devout capitalists, whether it be friendships dating back to student days or strategic marriage choices in establishing Turkey's Islamic business networks.⁶⁶

Additionally, two types of faith-based organizations became increasingly important venues for aggregating interests, raising capital and providing alternative sources of welfare. The first was the foundation (*vakıf*), a type of charitable endowment with roots in Islamic and Ottoman history. The second was the association (*dernek*), a type of voluntary organization, some of which receive state funding and privileges. During the period in question, the number of these organizations with religious leanings proliferated. For example, the number of *vakıfs* doubled from less than 1,000 in the early 1980s to just under 2,000 by the early 1990s, and the number of religious associations granted state privileges (e.g., public benefits status and tax exemption) grew markedly during the 1980s and 1990s (and especially after 2001, see section 5.7).⁶⁷

Furthermore, in a matter of days after assuming power in 1983, the ANAP (Motherland Party) government opened Turkey to Islamic banking under the banner of Special Finance Organizations through a prime ministerial decree. Turkey's two first Islamic banks were established with the assistance of Gulf capital in 1985. Islamic banks were exempted from the national banking regulatory framework, including reserve requirements. Anatolian SMEs that had struggled to secure financing from conventional banks could now leverage this new banking system. Islamic banks also eventually built vertical and horizontal alliance networks as well as established their own Islamic associations and foundations. The spread of Islamic banking in Turkey, however, remained relatively limited when compared to other Muslim-majority countries. Nonetheless, for our purposes here it is notable that the system emerged and grew as a result of direct state support, again revealing the web of linkages between state, society and business that propelled Turkey's pious business community into prominence.⁶⁸

5.6 Creating New Business Associations to Lobby the State: The Advent of MÜSİAD

Given the obvious benefits that could be derived from state support in the Turkish business environment, it was only a matter of time before the country's pious business community sought to create its own business associations to rival the dominance of TÜSİAD. The most important in this respect was the aforementioned MÜSİAD, which was established in

1990. Interestingly, in its early years, MÜSİAD successfully positioned itself as independent from the state. The association heavily criticized the large holding companies that had emerged in the statist and import substitution period (and were primarily represented by TÜSİAD) for growing with government support.⁶⁹ Several studies, including MÜSİAD's reports, support this argument. In 1993, the year that the association's online archives start, MÜSİAD published two important reports. The first criticized the government bureaucracy and explicitly stated the need to protect SMEs and to prevent large holding companies from monopolizing the economy. The second report, which summarized a panel on privatization, argued that state-driven economic enterprises are burdensome.⁷⁰ Similarly, in its 1994 annual report on the Turkish economy, MÜSİAD focused on the need to strengthen industry outside the Marmara region. Finally, in its annual report in 2000, MÜSİAD advocated privatization as a means for reducing public debt.

The 2000 report also emphasized the importance of empowering local governments to design policies that would benefit their respective local business communities.⁷¹ It should also be noted, however, that MÜSİAD favored a decentralized approach to economic—not political—decision-making. Indeed, nationalistic views have permeated MÜSİAD (as well as other Islamic business associations, especially TUSKON—the Turkish Confederation of Businessmen and Industrialists). Any policy that could be construed as “separationist,” including certain solutions to the “Kurdish problem,” it vociferously opposed. In addition, MÜSİAD expressed reservations towards granting more rights to minorities in Turkey, a critical issue in the European Union (EU) negotiation process. (With the formation of the EU in 1993, EEC was renamed the European Community and eventually fully absorbed into the wider EU framework in 2009.) Put simply, a pronounced emphasis on Turkishness became a salient feature of MÜSİAD's collective politics and preferences.⁷²

As MÜSİAD's nationalist proclivities suggest, the question of just *how* independent the Anatolian Tigers and MÜSİAD were from the state is debatable. Silverman has argued that the Anatolian Tigers did not depend on state assistance and achieved success by utilizing social and financial networks that were largely separate from the state and oriented around a shared sense of Islamic piety.⁷³ Similarly, research by Uygur provides evidence that pious businessmen have regarded the state and its bureaucracy as a barrier to entrepreneurship and thus favor a minimal role for the state.⁷⁴ Still, at the very least, it is improbable that the official state policies rooted in the Turkish-Islamic synthesis that sought to instrumentally leverage religion to enhance social cohesion throughout the 1980s hampered groups like MÜSİAD. Rather, such policies, when combined with structural factors and the willingness of the pious business community to adapt to neo-liberal principles, were likely advantageous to them. Therefore, MÜSİAD's early insistence that pious businesses succeeded despite

the state, not because of it, is perhaps better understood in the context of long-standing political grievances against Turkey's first-generation capitalists. For example, according to Adaş, MÜSİAD was the collective voice of Islamic-oriented SMEs and their political, economic and cultural grievances against established secular big business groups.⁷⁵ Similarly, Özcan and Turunç have drawn attention to the Muslim business community's pronounced antipathy towards the family cartels (or so-called disingenuous cosmopolitan Istanbul capitalists) that controlled the Turkish economy.⁷⁶ In addition, as the following section reveals, MÜSİAD notably stopped advocating for a minimal role for the state once the AKP came to power and the association's access to state resources grew undeniably stronger.

Regardless of the question of state support, MÜSİAD's role became pivotal in the 1990s, and the association grew to include over 3,000 firms by 1997.⁷⁷ MÜSİAD not only helped to organize pious business networks but also attempted to safeguard the role of its member firms and of Islamic values in the economic system through acts of self-regulation, which included penalizing firms for corrupt practices. For example, citing several severe cases of corruption and the rampant abuse of Islamic values, MÜSİAD invited eighteen multi-ownership companies to come together to address these problems in March 2000. The upshot of this meeting was that several holding companies, including Jet-Pa and GAP, were expelled from the association entirely and Endüstri Holding was forced to resign after it failed to comply with the association's guidelines.⁷⁸

As will be shown in the next section, MÜSİAD ultimately failed to stamp out corruption, but the pious business community did largely succeed in improving access to finance and investment funding as well as in building a religiously sensitive consumer base and a competent labor force, all by leveraging trust-based networks built upon shared religious and culture values and institutions.

5.7 Capturing Export Markets Through Religious Proximity

The conservative bourgeoisie did achieve low-cost production and eventually became competitive in export markets. The Turkish government's reluctance to crack down on informal practices—such as employing unregistered workers, violating safety regulations and avoiding tax payments—definitely helped conservative enterprises. At the same time, these firms appealed to the common values of Islam to penetrate further into markets in Muslim countries, and they benefited disproportionately from trade to non-OECD and MENA countries. For example, Turco and Maggioni have found that firms from religiously conservative regions are more likely to enter export destinations with a higher share of Muslims

and argue that religious proximity eases export entry for producers of “trust intensive” (i.e. differentiated and advertising-intensive) goods.⁷⁹

MÜSİAD's preferences and initiatives weighed heavily on Turkey's foreign trade relations. For example, during the 1990s MÜSİAD opposed a customs union between Turkey and the EU and instead promoted the establishment of closer relations with MENA and/or CIS countries, where it was believed that Turkey had a competitive edge.⁸⁰ As evidenced by MÜSİAD's 1997 annual report, the association criticized and lobbied intensively against the embargos imposed on Iraq in an effort to stop the severe trade losses that its members faced as a result, especially MÜSİAD representatives from southeastern Turkey.⁸¹ Exports from the Central Anatolian region, where a sizable portion of the Anatolian Tigers operated, grew 13.5 percent between 2002 and 2015, while exports from Turkey's traditional industrial heartland—sometimes referred to as the “developed west”—grew only 10.5 percent over the same period. Furthermore, by 2015, 53 percent of exports from Central Anatolia went to MENA countries, as opposed to 24 percent of the exports from the Western region. If we include Gaziantep, another Anatolian Tiger hub located in Turkey's southeast, the share of exports going to the MENA increases even further.⁸²

The Anatolian Tigers largely produced low- or mid-tech products, whereas Turkey's traditional industrial heartland exported products of a significantly higher technological grade. In 2003 more than 60 percent of exports from Central Anatolia were low tech, adding merit to the argument that the region gained its competitive edge in low-wage, low-productivity segments. In addition, despite these firms' growing clout and access to state resources, the technological sophistication of their exports improved only slightly: the share of Central Anatolian exports in the high-tech category increased from 12.5 to 17.8 percent between 2002 and 2015, whereas the share of high-tech exports from the traditional industrial region grew from 32 to 38.8 percent over the same period.⁸³

Taking a “courageous step,” a number of MÜSİAD members eventually criticized the economic outlook and export strategy of past Islamist parties.⁸⁴ Several MÜSİAD members openly expressed their concerns about adherence to a “false” Islam. For example, the founding president, Erol Yazar, blamed the mystical frugality inherent in Sufi Islam as the main factor contributing to the backwardness of the Muslim world. Thus, while criticizing and thereby putting distance between itself and the Welfare Party's concept of a “Just Order,” MÜSİAD also came to realize it had a vested interest in partnering with a party that was pro-liberalization and friendly to the secular and Western world. Tuğal describes this ideational shift as the marriage of formal democracy, free market capitalism and conservative Islam.⁸⁵ Consequently, as Gümüşçü and Sert have argued, support for a pact between MÜSİAD and a nascent reformist wing of the Welfare Party began gaining ground prior to 1997.⁸⁶

After the 1997 Turkish Military Memorandum (also referred to as 28 Şubat or the *Postmodern Darbe*), during which Erbakan was forced out of power and banned from politics, his Welfare Party shut down, and many other conservative or Islamist-leaning scholars and bureaucrats were purged from government offices and universities. A substantial faction of reform-minded political Islamists, however, regrouped under the Virtue Party in 1998, and this short-lived successor to the Welfare Party offered a softer version of Islam and full integration with the West.⁸⁷ The Virtue Party became staunch supporters of the European Union accession process due to the EU's emphasis on freedom of speech and human rights. In little over twenty years, a reversal of the Islamists' stance on Europe, first encapsulated in the virulent anti-EU rhetoric of Erbakan's National Outlook Movement, had occurred.⁸⁸

As their views towards Europe softened and European export markets and integration looked increasingly attractive, the conservative bourgeoisie felt obliged to justify their reluctance to pay taxes and their criticisms of the distributive role of the state and of labor unions.⁸⁹ Here, and for their own purposes, they again relied on religious legitimization, and were quick to seize upon the romanticized concept of "Medina Society" or "Medina Market," which endowed capitalist activities "with a sort of sacredness that an ideal Islamic society and economy should be based on. . . [with the main characteristics] of this historical marketplace . . . defined as non-interventionist, non-monopolistic and tax-free to attract merchants and stimulate higher profits."⁹⁰ Since *zakat*, the main form of Islamic philanthropy, was an obligatory charitable contribution or tax used to help the poor, the "Medina Society" archetype could conveniently dismiss the moral duty of paying an extra tax to the state, and arguments about rights-based social policy were also successfully muted. The conservative bourgeoisie's approach to the labor movement should also be assessed in this context. Trade organizations and unions are depicted "as disturbing harmony and order in the workplace by inculcating conflict and animosity between employers and employees," which ran counter to the harmony proffered by the ideal "Medina Market."⁹¹

5.8 The Era of the AKP: Using Neoliberal Tools for Political Empowerment

Since MÜSİAD already hoped by the end of 1990s to ally with a conservative party that would be open to the forces of globalization, it was no surprise that the association put its support behind the AKP in the 2002 elections. The Turkish economy faced a deep economic crisis at the beginning of 2001. Problems brought on by fiscal irresponsibility, an under-regulated banking system and political uncertainty could not be overcome with a stabilization program based on a fixed exchange rate regime. Capital fled the country. From the very start of the election period, the AKP

emphasized that it would commit to the IMF-backed stabilization program and structural reforms. The party also expended significant effort to position itself as "pro-business" and signal its willingness to form broad alliances with global financial actors. At the same time, the AKP emphasized the importance of Turkey's EU membership and democratization more than did its political rivals. Voters heavily penalized the parties in the incumbent ruling coalition as a result of the 2001 crisis and the new parliament formed in 2002 contained only two parties: the ruling AKP and the opposing CHP (Republican People's Party).

A great many of the suggestions put forward in MÜSİAD's 2002 annual report were reflected in the AKP's first strategy documents.⁹² Nonetheless, the AKP anticipated pressure from the first-generation "secular" business community as well as international financial actors, and thus it positioned itself accordingly. Indeed, the AKP's success in securing a place for itself in Turkish politics is an excellent example of an Islamist party's ideological flexibility in response to changing conditions. This was no small feat for several reasons. First, in terms of economic policies, the IMF stabilization program and 2001 structural reforms necessitated the establishment of independent regulatory authorities who would, by definition, reduce the state's discretionary power. This was inherently risky, as it threatened to undercut the state's ability to grant access to the resources that the devout bourgeoisie needed to further expand their market power. In addition, the new reform agenda threatened to take away some of the important competitive advantages enjoyed by the Anatolian Tigers, including tax avoidance, the employment of informal labor and lax oversight of compliance with safety regulations. Moreover, MÜSİAD resisted both banking reform and the advent of regulatory bodies.

The AKP established some regulatory institutions while simultaneously making it possible for the business community to continue to operate under relatively loose conditions in its early years. Öniş defines this pragmatic approach as "regulatory neo-liberalism" and "controlled neo-populism."⁹³ Buğra and Savaşkan take a slightly different stance and define this first period of AKP rule as one of mutual dependence between the government and the broader business community.⁹⁴ As both the first-generation and second-generation business communities relied on government support to secure their economic interests and associational power, they tacitly lent support to the AKP, which thereby further bolstered the rise of political Islam. Indeed, during this period the AKP used privatization as an effective tool to establish its pro-business credentials and the party did not always favor the second-generation pious business community in the process. The privatization of Tüpraş, the state-owned petroleum refining company, to Koç Holding, the largest holding company in Turkey and a primary representative of the traditional secular business community, offers a good example for understanding the AKP's early approach, which initially sought to appeal to a broad business base.

The AKP's landslide victory in the 2007 and 2011 elections earned the party an almost uncontested position in Turkey's political arena. With each political victory, the AKP's pragmatic approach of forming a broad alliance between different business organizations gave way to a more discretionary and authoritarian policy framework. Neoliberal tools including public-private partnership models, especially for the provision of social services and infrastructure projects, were used extensively in an effort to feed state contracts to new big businesses operating on a national scale. Many of these new big businesses preferred to make investments in energy (both generation and distribution) and/or construction, sectors in which the ability to secure permits from local or central government authorities was critical. MÜSİAD's increasing interest in the construction sector starting in 2009 is therefore fitting. For example, in its 2009 annual report MÜSİAD characterized the construction sector as the locomotive of the Turkish economy. Similarly, in its 2011 annual report, MÜSİAD emphasized the need for a broader urban transformation and more investment in the construction sector.⁹⁵ It is perhaps also not surprising then that one of the members of the consortium that won the massive third Bosphorus bridge construction procurement in 2016 was the president of MÜSİAD at the time.⁹⁶

Indeed, as the AKP strengthened its grip on power, it began circumventing regulatory mechanisms with increasing frequency and with less regard for the consequences. Accusations of favoritism and patronage also began to abound. Corruption seeped into the political economy, as an analysis of the frequent changes to procurement laws makes evident. Between 2003 and 2013, 29 changes were made to procurement laws. And, as Gürakar and Meyersson show, a limited number of firms with close ties to the AKP began winning a disproportionately large share of construction procurement contracts. After the 2008 amendment to procurement laws, the likelihood for AKP-connected firms to win procurements rose from 40 percent to 70 percent.⁹⁷ The government-fueled construction boom also made Turkey's Public Housing Development Association (*Toplu Konut İdaresi Başkanlığı*, TOKİ) a key player in the AKP's strategy to enhance its grip on power in key urban municipalities through the handout of urban renewal projects. Marshal, Aydoğan and Bulut, for example, find that TOKİ investments (in the form of housing units and associated expenditures) were a significant determinant of the number of times the AKP won mayoral elections in period from 2004 to 2014.⁹⁸ As shown in Chapter 10 in this volume, corruption has a long lineage in Turkey and was likely exacerbated by AKP policies.⁹⁹

Indeed, the party fused its economic development programs and patronage networks into a formidable political machine that served to enhance its grip on power, especially in urban centers, as long as the economy was growing.

Theoretically, this process of capital accumulation by a few big firms could have been problematic for the AKP had it hurt smaller actors in the pious business community. To avoid such a fate, the AKP pursued a number of measures. First, it leveraged Islamic business networks and Islamic culture to come up with effective subcontracting practices, mainly through dividing tenders and limiting subcontracting firms to domestic business.¹⁰⁰ By doing so, smaller and local firms that were close to the AKP's network could also benefit from the success of pious big business.¹⁰¹ The AKP therefore was able to maintain its support for the economic activities of government-friendly SMEs without losing the support of big business. In yet another about-face, the Muslim business community had thus adopted a dramatically different approach towards the role of the state in the economy, as it established a closer relationship with the ruling government.¹⁰²

5.9 Conclusion

The argument developed in this chapter reveals that Turkey's pious business community has shown a remarkable degree of responsiveness to shifts in the economic and political environment and were not inhibited by religious institutions, scripture or ethics. Instead, they leveraged and transformed a repertoire of religious and cultural frameworks in the service of both political power and capitalist development. This strategy has strengthened their ability to accumulate influence over the traditional stewards of Turkey's economy. These findings are consistent with Adaş, who has argued that Islamic entrepreneurs reinterpret Islam in ways that comport with current and anticipated economic conditions and are thus able to navigate potential conflicts between capitalism and Islamic norms, such as the prohibition of interest (*ribā*).¹⁰³ Similarly, this chapter complements work by Tuğal, who has compared Islamist and Kemalist actors' ability to respond to the values promoted by globalization, and claimed that the Islamists have been more successful.¹⁰⁴

The responsiveness of Islamic actors in Turkey has taken several forms. First, Islamist political actors—and the conservative bourgeoisie class they have sought to cultivate—have been quick to adapt, demonstrating that they can effectively use the policy tools and dominant economic and political frameworks of the time, even if these frameworks deviate from their immediate preferences and assumed religious proclivities. Islamists' increasing willingness to adopt neo-liberal policies—including the private-sector provision of social services and the devolution of authority to local municipalities, which reached its apex with Justice and Development Party rule—in a discretionary fashion is a case in point. Adherence to these policies gradually fastened the capital accumulation process to a government-friendly conservative bourgeoisie.¹⁰⁵

Second, both Islamic political actors and business associations exhibit a high degree of cultural and ideological flexibility: they can and do successfully reference different Islamic moral codes with respect to business culture at different periods to give religious legitimacy to their actions. Such flexibility is evidenced by the fact that the moral codes emphasized by MSP at the end of 1970s—and also those derived from Sufi philosophy—are markedly different from the “Medina market” business culture that Muslim business associations began to romanticize with increasing vigor in the mid-1990s.¹⁰⁶

Although the adaptivity and ideological flexibility of Turkey’s conservative business and political elite is remarkable, one factor—the use of religion as a *network resource*—has remained relatively constant over the period studied here. Throughout the recent history of Islamic capitalism—and, in fact, in an effort to create this very category—Islamist political actors and the Muslim business community leveraged religious networks, associations and organizations to build trust and thereby reduce transaction costs between market participants, to access various sources of financing and support and to ensure close proximity to the Turkish government. As a result, this chapter makes a case for the bidirectional nature of the transformation that has dramatically changed business–state–society relations in Turkey. While the capitalist system and composition of the business community in Turkey has changed as a result of exogenous factors, such as globalization and demographic realities, we also observe a transformation of Islamist actors themselves as they have strategized how best to utilize new opportunities, both locally and globally.

Notes

1. See Chapter 3, this volume.
2. Several prominent Jewish businessmen also established holding companies in the 1950s that came to be associated with first generation business elite in Turkey. These holding companies include Alarko Holding and Profilo Holding.
3. A. Buğra, “Class, Culture and State: An Analysis of Interest Representation by Two Turkish Business Associations,” *International Journal of Middle East Studies*, v.30, n. 4, 1998, pp. 521–539.
4. Ş. Gümüşçü, “Class, Status and Party: The Changing Face of Political Islam in Turkey and Egypt,” *Comparative Political Studies*, v.43, n. 7, 2010, pp. 835–861; Chapters 2 and 3, this volume.
5. For a convincing account of how this narrative ignores the fact that the state had indeed worked to develop industrial capacity in key parts of the periphery starting in the early years of the Republic see K. Cengiz, “Yav İşte Fabrikalaşak”: *Anadolu Sermayesi’nin Oluşumu: Kayseri Hacılar Örneği*, İstanbul: İletişim, 2013.
6. Gürakar and Meyersson show that increased government discretion in public procurement increases the likelihood of the winning firm being politically connected to the AKP (E.Ç. Gürakar and E. Meyersson, “State Discretion,

- Political Connections and Public Procurement: Evidence from Turkey,” *Economic Research Forum Working Paper Series* No. 1053, 2016.
7. See A. Buğra and O. Savaşkan, *New Capitalism in Turkey*, Northampton, MA: Edward Elgar Publishing, 2014.
 8. *Gümüş Motor* later took the name *Pancar Motor*. The daily newspaper *Hürriyet* mentions that the initiative was supported by the Turkish Naqshbandi community (“Erbakan Hoca’nın Gümüş Motor’u sustu,” *Hürriyet*, February 3, 2012, www.hurriyet.com.tr/ekonomi/erbakan-hoca-nin-gumus-motor-u-sustu-19838676, accessed November 20, 2018).
 9. Interestingly, it was around the same time that the influential Istanbul-based Koç family, an emerging pillar of “secular big business,” made similar moves in the automotive industry.
 10. TOBB is best described as the umbrella organization for Turkey’s other business associations, including the regional chambers of commerce and industry.
 11. Serkan Yorgancılar, *Milli Görüş 1969–1980*, İstanbul: Pınar, 2012, pp. 28–35.
 12. Ibid.
 13. Ibid.
 14. R. Çakır, “Milli Görüş Hareketi,” in *İslamcılık*, vol. 6, İstanbul: İletişim, 2004, pp. 545–546.
 15. T.S. Halman, “AP’den Sapmalar ve Kopmalar,” *Milliyet*, December 08, 1969 (also quoted in Yorgancılar, *Milli Görüş 1969–1980*, 51).
 16. MNP *1inci Büyük Kongresi 24 Ocak 1971*, Ankara: As, 1971, pp. 34–38. Also see the 1975 local elections propaganda booklet that cited the main reasons why people should not vote for any political party other than the MSP: Zafer Karib, *1975 Türkiye’inde Niçin MSP De?* İstanbul: İhya Yayınları, 1975, pp. 13–76.
 17. Ibid., p. 40.
 18. Ibid., p. 43.
 19. Velidedeoğlu likened the term *nizâm* to the way in which Sultan Mehmed II justified fratricide within the fifteenth-century legal framework (Hıfzı Veldet Velidedeoğlu, *Türkiye’de Üç Devir*, Ankara: Sinan, 1972, pp. 355–356).
 20. Although the National Order Party’s foundational charter made no mention of *Milli Görüş*, it did reference all the terms that Erbakan’s subsequent parties would adopt as names, including *selâmet* (salvation), *refah* (virtue) and *saadet* (felicity).
 21. Mehmet Döşemeci, “Turkish Opposition to the Common Market: An Archaeology of Nationalist Thought, 1967–1980,” *South European Society and Politics*, v.17, n. 1, March 2012, pp. 88–89.
 22. Necmettin Erbakan, *Mecliste Ortak Pazar*, İzmir: Gençlik Teşkilâtları Genel Başkanlığı, 1971, pp. 38–39.
 23. MNP *1inci Büyük Kongresi*, pp. 62–63.
 24. Ibid., pp. 54–55.
 25. Erbakan, *Mecliste Ortak Pazar*, pp. 38–39.
 26. See the section on “Ortak Pazar” in a booklet about Erbakan’s new five year plan published after the closing of the MNP (Necmettin Erbakan, *Milli Görüş ve 3. Beş Yıllık Plan*, Ankara: Furkan, 1973, pp. 86–89).
 27. Erbakan, *Mecliste Ortak Pazar*, pp. 68–71, 85–89.
 28. Ibid., pp. 107–111.
 29. Ibid., pp. 94–95.
 30. It is important to note that the MNP was not only the party closed down during this time. The socialist TİP (*Türkiye İşçi Partisi*), was also closed down due to its radical leftist proclamations during the election campaign (Yorgancılar, *Milli Görüş 1969–1980*, p. 164).

31. For the full text of the various pieces of evidence see: *Millî Nizam Partisi Niçin Kapatıldı?* Ankara: Vesika, 1990.
32. Erbakan, *Mecliste Ortak Pazar*, p. 114.
33. Sufism (*taşavvuf*) and Sufi orders, also sometimes referred to in the literature as religious orders, brotherhoods, cemaats, or tarikat (*tarikâts*, literally meaning “way” or “path”), began to rise sometime in the twelfth and thirteenth centuries. In the Ottoman period Sufi orders congregated around building compounds known as a *tekke* or *dergâh/dargâh* (*zâwiyya* in Arabic), which were essentially hostels that provided a space for rituals and social gatherings. The Sufi orders fulfilled a variety of functions: religious, social, charitable, intellectual, psychological and sometimes political. Above all, the Sufi orders’ diverse functions and malleable institutional structure also allowed them to develop closeness with common subjects and to adapt to very different social environments. See Kristin E. Fabbe, *Disciples of the State? Religion and State-Building in the Former Ottoman World*, New York: Cambridge University Press, 2019, pp. 41–42. Also see *Millî Nizam Partisi Niçin Kapatıldı?* 17.
34. *Millî Selâmet Partisi 1973 Seçim Beyannamesi*, Istanbul: Fatih Matbaası, 1973, p. 4.
35. The 1977 General Election Manifesto employed the term *Cenâb-ı Hakk* for Allah, though also only once in the preface (*Millî Selâmet Partisi 5 Haziran 1977 Seçimleri Seçim Beyannamesi*, Ankara: Basın-Yayın Genel Müdürlüğü, Başbakanlık Basımevi, 1977, p. 12).
36. See MNP *1inci Büyük Kongresi 24 Ocak 1971. Hakk or Cenab-ı Hakk* was used many times and the believers were referred to as *mü’minler*.
37. *İnananlar* potentially served as a double entendre here. It could both refer to Muslims and/or the supporters of Erbakan’s political vision of *Millî Görüş*. See *Millî Selâmet Partisi 5 Haziran 1977 Seçimleri Seçim Beyannamesi*.
38. *Millî Selâmet Partisi 5 Haziran 1977 Seçimleri Seçim Beyannamesi*, p. 33.
39. *Ibid.*, pp. 12 and 32.
40. *Millî Selâmet Partisi 1973*, p. 82.
41. *Ibid.*, p. 42.
42. *Ibid.*, pp. 34–38.
43. J.M. Landau, *Politics and Islam: The National Salvation Party in Turkey*, Salt Lake City: The University of Utah’s Research Monographs, 1976, p. 17.
44. The expression *kalkınma* will later become the AKP’s central vision and concept.
45. *Millî Selâmet Partisi 5 Haziran 1977 Seçimleri Seçim Beyannamesi*, pp. 51–52.
46. *Ibid.*, p. 57. *Millî Selâmet Partisi 3: Büyük Kongresi*, Ankara: Elif, 1976, pp. 64–67.
47. *Millî Selâmet Partisi 5 Haziran 1977 Seçimleri Seçim Beyannamesi*, pp. 57–65. Again the MSP also promised to lower taxes and increase the number of factories for manufacturing motors, planes, heavy machinery and electronics. See *Ibid.*, pp. 43–44.
48. *Ibid.*, 49. This push for private-sector mobilization (*Özel Sektör Seferberliği*) also included proposals to develop industrial sites (*sanayii siteleri*), create regional industry directorates (*bölge sanayi müdürlükleri*), build organized industrial zones (*organize sanayi bölgeleri*) and found a State Industry and Laborer Investment Bank (*Devlet Sanayi ve İşçi Yatırım Bankası, DESİYAB*).
49. *Ibid.*, p. 53. The manifesto made no distinction between the West and the Muslim East with respect to its trade liberalization policies and the party

- simply promised to increase export volumes without mentioning their destination.
50. M.A. Birand, *Türkiye’nin Ortak Pazar Macerası*, Istanbul: Milliyet, 1986, pp. 359–406. For Demirel’s political stance see 388–406; and for Ecevit’s see 364–387.
51. *Millî Selâmet Partisi 5 Haziran 1977 Seçimleri Seçim Beyannamesi*, pp. 33–37; *Millî Selâmet Partisi 3. Büyük Kongresi*, 49. Erbakan promised to increase the number of theological seminaries and Qur’anic day schools along with the number of personnel working for the Presidency of Religious Affairs (*Diyanet İşleri Başkanlığı*).
52. C. Lord, *Religious Politics in Turkey: From the Birth of the Republic to the AKP*, New York: Cambridge University Press, 2018, p. 66.
53. Ş. Pamuk, “Globalization, Industrialization and Changing Politics in Turkey,” *New Perspectives on Turkey*, v.38, 2008, pp. 267–273.
54. R. Owen and Ş. Pamuk, *A History of Middle East Economies in the Twentieth Century*, Cambridge, MA: Harvard University Press, 1998, p. 119.
55. For the effects of the military regime on the labor unions and wages, see E. Taymaz, E. Voyvoda, and K. Yılmaz, *Demokrasiye Geçiş, Reel Ücretler ve Verimlilik: Türk İmalat Sanayiinden Bulgular*, St. Louis: Federal Reserve Bank of St Louis, 2014; Pamuk, “Globalization, Industrialization and Changing Politics in Turkey,” p. 207.
56. Fabbe, *Disciples of the State?* pp. 10, 179.
57. See B. Güvenç, G. Şaylan, İ. Tekeli, and Ş. Turan, *Dosya: Türk-İslam Sentezi*, Istanbul: Sarmal, 1991.
58. Lord, *Religious Politics in Turkey*, pp. 66–67.
59. See J. White, *Muslim Nationalism and the New Turks*, Princeton, NJ: Princeton University Press, 2012. As İlhan argues, the Turkish business community from the early Republican period overemphasized their service to the nation as the motive in their profit-making activities (E. İlhan, “Turkey’s State-Business Relations Revisited: Islamic Business Associations and Policymaking in the AKP Era,” PhD Thesis, King’s College, London, 2014).
60. Lord, *Religious Politics in Turkey*, p. 167.
61. Many of these firms would join MÜSİAD when it formed a decade later; however, Buğra and Savaşkan correctly caution that it is misleading to conclude that MÜSİAD only represents SMEs (See Buğra and Savaşkan’s *New Capitalism in Turkey*).
62. G.B. Özcan and M. Çokgezen, “Limits to Alternative Forms of Capitalization: The Case of Anatolian Holding Companies,” *World Development*, v.31, n. 12, 2003, pp. 2061–2084.
63. Z. Öniş, “The Political Economy of Islamic Resurgence in Turkey: The Rise of the Welfare Party in Perspective,” *Third World Quarterly*, v.18, n. 4, 1997, pp. 743–766.
64. See Özcan and Çokgezen’s “Limits to Alternative Forms of Capitalization” as mentioned in Note 62.
65. E. Hoşgör, “Islamic Capital/Anatolian Tigers: Past and Present,” *Middle Eastern Studies*, v.47, n. 2, 2001, pp. 343–360.
66. R. Silverman, “Dogan Versus Erdogan: Business and Politics in AKP Era Turkey,” *Mediterranean Quarterly*, v.25, n. 2, 2004, pp. 131–151.
67. Lord, *Religious Politics in Turkey*, pp. 199–200.
68. *Ibid.*, pp. 203–206; F. Başkan, “The Political Economy of Islamic Finance in Turkey: The Role of Fetullah Gülen and Asya Finans,” in Clement M. Henry and Rodney Wilson (eds.) *The Politics of Islamic Finance*, Edinburgh: Edinburgh University Press, 2004, pp. 216–239.

69. When Erol Yazar, the founding president of MÜSİAD, said in an interview that "We Are the Real Bourgeoisie!" he implicitly meant that the conservative bourgeoisie that he represented emerged without any state support while TÜSİAD owed much of its capital accumulation to state support and protectionist policies ("Asıl Burjuva Biziz," *Sol Haber*, July 9, 2008, <http://haber.sol.org.tr/devlet-ve-siyaset/asil-burjuva-biziz-haberi-15982>, accessed March 30, 2019).
70. These reports can be found at [www.MÜSİAD.org.tr/F/Root/burcu2014/Ara%C5%9Ft%C4%B1rmalar%20Yay%C4%B1n/Pdf/Ara%C5%9Ft%C4%B1rma%20Raporlar%C4%B1/Orta_Buyuklukteki_isletmeler_ve_Burokrasi.pdf](http://www.MUSIAD.org.tr/F/Root/burcu2014/Ara%C5%9Ft%C4%B1rmalar%20Yay%C4%B1n/Pdf/Ara%C5%9Ft%C4%B1rma%20Raporlar%C4%B1/Orta_Buyuklukteki_isletmeler_ve_Burokrasi.pdf) and [www.MÜSİAD.org.tr/F/Root/burcu2014/Ara%C5%9Ft%C4%B1rmalar%20Yay%C4%B1n/Pdf/Ara%C5%9Ft%C4%B1rma%20Raporlar%C4%B1/Ozellestirme_Paneli.pdf](http://www.MUSIAD.org.tr/F/Root/burcu2014/Ara%C5%9Ft%C4%B1rmalar%20Yay%C4%B1n/Pdf/Ara%C5%9Ft%C4%B1rma%20Raporlar%C4%B1/Ozellestirme_Paneli.pdf), respectively, accessed March 28, 2019.
71. See [www.MÜSİAD.org.tr/F/Root/burcu2014/Ara%C5%9Ft%C4%B1rmalar%20Yay%C4%B1n/Pdf/Ekonomi%20Raporu/Turkiye_Ekonomisi_2000.pdf](http://www.MUSIAD.org.tr/F/Root/burcu2014/Ara%C5%9Ft%C4%B1rmalar%20Yay%C4%B1n/Pdf/Ekonomi%20Raporu/Turkiye_Ekonomisi_2000.pdf), accessed March 28, 2019.
72. See İlhan's, "Turkey's State-Business Relations Revisited."
73. See Silverman's, "Dogan Versus Erdogan: Business and Politics in AKP Era Turkey."
74. S. Uygun, "The Islamic Work Ethic and the Emergence of Turkish SME Owner-Managers," *Journal of Business Ethics*, v.88, 2009, pp. 211–225.
75. E.B. Adaş, "The Making of Entrepreneurial Islam and the Islamic Spirit of Capitalism," *Journal for Cultural Research*, v.10, n. 2, 2006, pp. 113–137. In fact, one of the incidents that created resentment among the Muslim business community and was said to lead to the foundation of MÜSİAD was the removal of some conservative businessmen from a business trip to Soviet Republic, which was organized by DEİK (Foreign Economic Relations Board).
76. G.B. Özcan and H. Turunç, "Economic Liberalization and Class Dynamics in Turkey: New Business Groups and Islamic Mobilization," *Insight Turkey*, v.13, n. 3, 2011, pp. 63–86.
77. M. Çokgezen, "New fragmentations and Co-Operations of the Turkish Bourgeoisie," *Government and Policy*, v.18, 2000, pp. 525–544.
78. See Özcan and Çokgezen's, "Limits to Alternative Forms of Capitalization."
79. A. Lo Turco and D. Maggioni, "Effects of Islamic Religiosity on Bilateral Trust in Trade: The Case of Turkish Exports," *Journal of Comparative Economics*, v.46, n. 4, 2018, pp. 947–965.
80. MÜSİAD's preference towards the destination of the export markets can be seen in its reports that summarize the business trips of its representatives. A good example can be seen at [www.MÜSİAD.org.tr/F/Root/burcu2014/Ara%C5%9Ft%C4%B1rmalar%20Yay%C4%B1n/Pdf/Ara%C5%9Ft%C4%B1rma%20Raporlar%C4%B1/Afrika_ve_ingiltere_is_Gezileri.pdf](http://www.MUSIAD.org.tr/F/Root/burcu2014/Ara%C5%9Ft%C4%B1rmalar%20Yay%C4%B1n/Pdf/Ara%C5%9Ft%C4%B1rma%20Raporlar%C4%B1/Afrika_ve_ingiltere_is_Gezileri.pdf), accessed March 28, 2019.
81. Vannetzel and Yankaya analyze MÜSİAD clout as a role model for other Islamic business associations and find that MÜSİAD actively supported the creation of Islamic business associations in the broader region by exporting its own organizational model. M. Vannetzel and D. Yankaya, "Crafting a Business Umma? Transnational Networks of 'Islamic Businessmen' After the Arab Spring," *Mediterranean Politics*, November 2017, pp. 1–21.
82. From another point of view, these new intensified trade relations with the countries in the MENA also increased the importance of the Kurdish business community for the overall economy. The invasion of Iraq had already opened up new profit opportunities in Northern Iraq and led to the emergence of a new Kurdish entrepreneurial class.
83. Analysis based on data from OECD (2003) and Turkstat.
84. For example, in its 1999 report, MÜSİAD openly criticized the Refah-Yol coalition, within which the Islamist Welfare Party (*Refah Partisi*, RP) was the bigger partner.
85. C. Tuğal, *The Fall of the Turkish Model*, New York: Verso Publishing, 2016.
86. Ş. Gümüşçü and D.Ş. Sert, "The Power of the Devout Bourgeoisie: The Case of the Justice and Development Party in Turkey," *Middle Eastern Studies*, v.45, n. 6, 2009, pp. 953–968.
87. Ji-Hyang also finds that regions with more MÜSİAD members provided greater support for this reformist wing in the Virtue party (see his "Taming Political Islamists by Islamic Capital: The Passions and the Interests in Turkish Islamic Society").
88. R. Çakır, "İslamcıların Batılılaşma Süreci," *Birikim*, v.129, December 1999.
89. The "Turkish Economy" report in 1999 is a very good example of where MÜSİAD heavily opposes the new tax law on the grounds that it will create an incentive, especially for small firms, to engage more in informal activities, [www.MÜSİAD.org.tr/F/Root/burcu2014/Ara%C5%9Ft%C4%B1rmalar%20Yay%C4%B1n/Pdf/Ekonomi%20Raporu/Turkiye_Ekonomisi_1999.pdf](http://www.MUSIAD.org.tr/F/Root/burcu2014/Ara%C5%9Ft%C4%B1rmalar%20Yay%C4%B1n/Pdf/Ekonomi%20Raporu/Turkiye_Ekonomisi_1999.pdf), accessed March 28, 2019.
90. Adaş, "The Making of Entrepreneurial Islam and the Islamic Spirit of Capitalism," p. 133. It is also ironic to see that, to control the inflation that peaked after the dramatic depreciation of the Turkish Lira in the second half of 2018, the AKP did not hesitate to apply strict price controls, which received critical support from MÜSİAD.
91. *Ibid.*, p. 122.
92. [www.MÜSİAD.org.tr/F/Root/burcu2014/Ara%C5%9Ft%C4%B1rmalar%20Yay%C4%B1n/Pdf/Ekonomi%20Raporu/Turkiye_Ekonomisi_2002.pdf](http://www.MUSIAD.org.tr/F/Root/burcu2014/Ara%C5%9Ft%C4%B1rmalar%20Yay%C4%B1n/Pdf/Ekonomi%20Raporu/Turkiye_Ekonomisi_2002.pdf), accessed March 28, 2019.
93. Z. Oniş, *The Political Economy of Turkey's Justice and Development Party: The Emergence of a New Turkey and the AK Parti*. Edited by H.M. Yavuz, Salt Lake City: The University of Utah Press, 2006.
94. Buğra and Savaşkan, *New Capitalism in Turkey*, 2014.
95. [www.MÜSİAD.org.tr/F/Root/burcu2014/Ara%C5%9Ft%C4%B1rmalar%20Yay%C4%B1n/Pdf/Sekt%C3%B6r%20Kurullar%C4%B1/insaat_Sektor_Raporu_2009.pdf](http://www.MUSIAD.org.tr/F/Root/burcu2014/Ara%C5%9Ft%C4%B1rmalar%20Yay%C4%B1n/Pdf/Sekt%C3%B6r%20Kurullar%C4%B1/insaat_Sektor_Raporu_2009.pdf), accessed March 28, 2019.
96. www.hurriyet.com.tr/ekonomi/hasen-yapi-dev-ihalenin-surpriz-firmasi-40105508, accessed March 28, 2019.
97. E.Ç. Gürakar and E. Meyersson. "State Discretion, Political Connections and Public Procurement: Evidence from Turkey," *Economic Research Forum Working Paper Series*, No:1053, 2016. Another strategy for circumventing regulatory mechanisms was to allow municipalities and local authorities to form their own companies, which, with the necessary legislative changes, were then freed from having to undergo inspection.
98. M. Marshall, A. Aydoğan, and A. Bulut, "Does Housing Create Votes? Explaining the Electoral Success of the AKP in Turkey," *Electoral Studies*, v.42, 2016, pp. 201–212.
99. As Chapter 9 in this volume shows, public perceptions of corruption originally declined under the AKP but then spiked in 2013, which likely had much to do with media coverage patterns. Also, evidence from the early 2000s suggests that the business sector administrators' emphasis on and experience of corruption was reportedly greater than that of the general public.
100. See Silverman's, "Dogan Versus Erdogan: Business and Politics in AKP Era Turkey," which characterizes business politics under the AKP as leveraging

- a vast class of Turks connected with each other through either a shared sense of Islamic values or through family ties.
101. On the other hand, with a change in the law, the AKP government could demand a subcontractor change, which stands as yet another example of its political discretion.
 102. This argument is also supported by Ji-Hyang, who finds that Islamist capitalists were more independent and critical of the state compared to their secular counterparts until the mid-1990s. He adds that Islamic business interests later developed a taming effect on the political Islamists (See J. Ji-Hyang, "Taming Political Islamists by Islamic Capital."
 103. See Adaş's, "The Making of Entrepreneurial Islam and the Islamic Spirit of Capitalism."
 104. See Tuğal, *The Fall of the Turkish Model*. It is, however, an open question whether the responsiveness of Turkish Islamist actors is peculiar to Turkey or can be generalized to other Muslim countries as well. See I. Saif and M. Abu Rumman, "The Economic Agenda of the Islamist Parties," *The Carnegie Papers*, May 2012, pp. 1–26.
 105. See Buğra and Savaşkan's *New Capitalism in Turkey*; E.C. Gürakar, *Kayıрма Ekonomisi*, Ankara: İletişim, 2018, for a detailed analysis of how neo-liberal policies have been used extensively to preserve the economic and political hierarchy during the AKP era.
 106. A clarification about Muslim business associations is necessary. As İlhan mentions, a Muslim business association does not mean a sharia-compliant association. Nor are we arguing that all the members of such business associations are Islamists or even pious (see İlhan's, "Turkey's State-Business Relations Revisited."). Instead, these associations can be characterized as conservative agents that are willing and able to negotiate the terms of their faith with policy actors.

6 Reciprocity in Business-Government Relations

A Comparative Perspective

Patrick Fridenson

Government has been at the center of three of the previous chapters of this book. Indeed, in Chapter 1 Colpan and Jones, as they explore the coevolution of business enterprises with political and social institutions in order to locate the long-term evolution of Turkish capitalism in global history, often return to the role of government. Furthermore, in Chapter 3, Buğra focuses on government-business relations in Turkey and sees politics at the origins not only of the earlier bourgeoisie but also of the new business community. In Chapter 5, Fabbe, Özlale and Balıkcıoğlu connect the rise of religious-conservative big business during the past fifty years in Anatolia and in the periphery to the increasingly blurred boundaries between business and politics, and to the state granting resources to their large enterprises.

The purpose of this comparative chapter is to stand back from detailed engagement with the empirical evidence on Turkey. It looks not just at policy and business, but also at the interaction between them. The chapter also addresses the heterogeneous nature of the business sector, both in Turkey and elsewhere. The goal is that the comparative evidence at the core of the chapter will help to deepen our understanding of Turkey.

Since the 1960s a number of scholars have framed an approach to the role of the state in economic growth for emerging markets that offers a theory of the developmental state as a major source of growth for "late-comers," described more often today as emerging countries. This now conventional wisdom was developed by economic historians like Alexander Gerschenkron on the basis of the case of Tsarist Russia, and political scientists like Chalmers Johnson on the basis of the case of Japan during the postwar economic miracle. It was generalized by Johnson and others to most similar countries.¹ It was endorsed by the Harvard Business School business historian Thomas K. McCraw in the influential edited volume entitled *America versus Japan*. (1986).²

A body of scholarship has developed in the social sciences that locates the coordination of industrial development inside government or its specialized agencies. A recent study has noted that "developmental states tend to have coherent Weberian bureaucracies that are autonomous but