

Economic Liberalization and Class Dynamics in Turkey: New Business Groups and Islamic Mobilization

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ABSTRACT

The growth of new capitalist classes since the 1980s has transformed social stratification, multi-party politics and the international political orientation of Turkey. New business groups energized by Islam have facilitated much-needed class mobility. In this process, there has also emerged a confrontational split in middle-class positions between Islamic and secular political outlooks. These new middle classes are engaged in promoting Islam as a strategic resource in the class politics of Turkey and seek protection from the negative effects of market capitalism. More dramatically, these new capitalist classes have redefined the allocation of markets and the distribution of assets while they have increased opportunities for their affiliated groups at home and in foreign markets. However, the paradox between modernity and authenticity remains unresolved for Turkey's old middle classes and the new pious elite alike. Although the Islamic-leaning business groups have become the winners of the new regime, they have increasingly lost their cutting-edge idealism and originality and are being "normalized" as the new establishment.

Turkish society, economy, and politics have been going through fundamental changes since the country shifted from state-centered import substitution policies to economic liberalization. As of the early 1980s, the Özal government began to promote a culture of entrepreneurship. Scholars have long examined the political and economic implications of this change. What has not been clearly analyzed, however, is how these transformations fundamentally altered the class dynamics. In this article, we argue that the growth of new capitalist classes transformed social stratification, multi-party politics and the international political orientation of the country. New business groups energized by Islam have facilitated much needed class mobility. In this process, there also emerged a confrontational split in middle class positions between Islamic versus secular political outlooks. The

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expansion of new middle classes fuelled economic growth, industrial diffusion to Anatolian towns, and a rapid rise in export capacity. More dramatically, these new capitalist classes redefined the allocation of markets and the distribution of assets while they expanded opportunities for their affiliated groups at home and in foreign markets.

This work should be seen as a contribution to the scholarly debate about social change and the rise of Islamic business groups through the analysis of social class and identity politics. We regard the growth of small and medium-sized enterprises (SME) and new industrial centers in Anatolia to be the engines of change in class dynamics. Although there has been much discussion about Islam in Turkish society and politics¹ and the relationship between economic liberalization and a new Islamic leaning bourgeoisie² there are few empirically grounded sociological studies of new industrialists and the rise of second tier industrial towns. In the following sections, we illustrate how a better analysis of the “*Anatolisation* of industrial capital” can help us to understand the new class dynamics and centre-periphery relations. Our analysis shows how Islamic mobilization emerges as a strategic resource in class dynamics, opportunity allocation and moral justification.

In the following sections we will examine three arguments. First, we will show why the emergence of a new generation of Anatolian capitalists and their wealth accumulation are important to understand changing class dynamics. Second, we will show how the promotion of Islamic values energized business groups and led to new political formations. Third, we will illustrate how the increasing influence of Islam has led to an identity contest and search for authenticity in class dynamics. Finally, we will explain the implications of these for foreign trade relations, as the new business classes search to expand their opportunities abroad. Our conclusion will highlight the dilemmas of the future relations between the new capitalist classes and Islamist politics.

Emergence of a Post-1980 Social Stratification

The foundations of the modern Turkish Republic rested on a top-down state tradition governed by a state recruited elite in the civil service, the army, and in politics. Centralist tendencies in governance allocated a greater role to Ankara-based institutions in all spheres of public service (such as the State Planning Or-

ganization, government ministries, the central bank and the army). The state was not only the major investor in heavy industries, energy and infrastructure, but it also managed them with an extensive administrative bureaucracy until the 1980s. Infrastructure and development investments were planned and executed

centrally without seeking local participation or regional involvement. In the market, state-run enterprises were accompanied by a handful of large private business conglomerates, which controlled major sectors of the economy.³ The majority of privately owned small businesses were localized micro enterprises. Business conglomerates functioned as the main conduits for western companies and trade. They, along with the state, controlled the entry of foreign technology, new products and modern production to the domestic market. The family-run conglomerates established and/or headquartered in Istanbul diversified their investments into a variety of sectors and they concentrated the private industrial capital of the whole economy. Import substitution policies aimed to protect the domestic market from international competition, with a range of selective incentive mechanisms, aided the growth of indigenous industrial capacity. Industrial conglomerates initially established themselves in the Istanbul and Izmit axis and the port cities of Izmir and Adana. Later in the 1970s, large firms engaged in foreign franchises and extended their distribution networks across the country (especially in detergent, consumer goods, electronic appliances and pharmaceutical products).⁴

State procurement at both local and national levels helped private businesses and gave a jump-start to the growth of the first wave of entrepreneurs and the associated urban bourgeoisie in many Anatolian towns. However, most of the Anatolian land mass remained rural and isolated despite development projects and infrastructure investments. There was virtually no inter-regional or international trade outside of the state owned enterprises. Local economies rested on small artisanship, commerce, and agriculture. Increasing demand for consumer goods and the diffusion of franchised services fuelled the growth of a small business elite within Anatolia's emerging urban centers. Along with the civil servants and professionals, they shared local privileges and the benefits of municipal infrastructure and services until the 1980s.⁵ A clear majority of the working population was employed in agriculture; they, along with small entrepreneurs and artisans, formed the stratum beneath the state sponsored middle class professionals and the local elite.

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As the population grew and Turkey urbanized, social dynamics began to change rapidly. Migration from the countryside and the small towns of Anatolia to several large cities began in the 1950s and accelerated in the decades to follow. By the 1970s, semi-legal housing areas (commonly known as *Gecekondu*) became widespread while low skilled ca-

sual or informal jobs absorbed the majority of the working population in all major cities.⁶ Rural migrants in urban areas formed the bottom of the social stratification. The growing size of the economically marginalized urban population in *Gecekondu* areas, however, fundamentally changed the seemingly stable political balance established between the state elites and their private sector counterparts on the one side and peasants and the urban poor on the other. As demand for jobs and better living conditions rapidly rose, pressure on the political system continued to mount. By 1980, the urban population overtook the rural population for the first time in modern Turkish history and rural migrants moved from the margins to the centre of local government politics.⁷

Turkey witnessed widespread social unrest, as the urban poor became increasingly politicized throughout the 1970s. The professional middle classes and urban youth combined their forces with the lower stratum against social injustices and inequitable wealth distribution. However, the real cause of this unrest was the slowing down of opportunities for upward mobility, as the state controlled economy performed badly under domestic and international constraints. Thus, expectations for social mobility for the lower strata and revolutionary urban middle classes induced them to unite their efforts to bring about a more equitable economic allocating regime. These groups were mobilized by socialist ideology and left wing politics. Starting from the 1970s, this interclass alliance in most urban areas fed into youth organizations, trade unions, and party politics. To capitalize on this societal movement, the Republican People's Party (CHP) shifted towards leftist politics. Its then new charismatic leader, Bülent Ecevit, promoted the party among the young and disenfranchised urban and rural populations. The CHP's campaign for equality and socialist ideals won over 33 per cent of total votes in the 1973 general elections.⁸ In the 1977 general elections, the party had a stunning success, as it received 41.4 per cent of total votes.⁹ In the three largest cities, the CHP received more than half of the total votes; this was one of the strongest urban support given to a single political party in Turkish electoral history.

The shortage of goods, especially foodstuffs, fuelled deep insecurity and public protests across the country during the final years of the 1970s. Despite its electoral victory, the CHP had to form weak coalition governments and got embroiled in a deepening rift between right and left politics. Facing a tough US-led embargo in the aftermath of the 1974 Turkish military intervention in Cyprus, the government had almost no room to maneuver. Hostile US policies and toughening internal opposition by powerful business groups paralyzed the policy arena, forcing the CHP to shelve some of its much-publicized projects. These included the critical town and village development projects and enterprise reforms through the establishment of multi-ownership companies.¹⁰

Following the 1980 coup and the subsequent partial withdrawal of the generals from politics in 1983, the former technocrat, Prime Minister Turgut Özal, shifted policies from import substitution to economic liberalization. Although efforts were undertaken to liberalize the economy during previous governments, it was Özal who brought about long-lasting changes in the fundamental structure of the economy. For example, “the 24th January 1980 Decisions” were announced in order to curb inflation and to attain a more outward-oriented and market-based economic system. Within the framework of these decisions, export subsidies were granted and exchange rates were allowed to depreciate in real terms. However, with almost no political opposition and a disoriented society, bold reform policies were put forward and rigorously implemented by a centre-right political alliance headed by the Motherland Party (ANAP). Subsequent policies favored by the army and right wing parties supported a so-called “Turkish-Islamic” synthesis to defend against communism and threats of social disintegration. In less than a decade, predominantly left-leaning urban voters transferred their alliance to the centre right. ANAP became a patchwork of the centre right, liberals, Islamists, and secularists while promoting the ideology of right wing neo-liberalism. This new regime aimed to deepen the market and curb the direct role of the state in the economy through de-regulation and privatization. Export-led economic growth policies and subsequent liberalization and privatization followed IMF prescriptions and the models of Reaganomics and Thatcherism. An entrepreneurial society and the pursuit of wealth formed the core principals of this neo-liberal thinking. Small and medium-sized businesses emerged as a panacea for economic

An entrepreneurial society and the pursuit of wealth formed the core principals of this neo-liberal thinking. Small and medium-sized businesses emerged as a panacea for economic re-structuring and privatization

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re-structuring and privatization, and de-regulation aimed to reduce state control and to break down the resistance of organized labor. Multi-ownership companies, village, and town projects and other state led planning and investments disappeared from the agenda.

As the Turkish economy recovered from endemic shortages, exports steadily rose from 2.9 billion USD in 1980 to 12.9 billion USD in 1990 and continued to increase thereafter. By 2009, this figure had reached 132 billion USD (see Table 1). However, export-led growth also increased Turkey's exposure to international financial markets and foreign debt and created a highly imbalanced export and import regime. Economic liberalization and new entrepreneurialism stimulated urban growth and industrialization in Anatolia. Industrial production, mostly in the traditional manufacturing sectors of textiles and foodstuffs, began to spread into medium-sized Anatolian towns while capital flight from rural to urban areas increased. Agriculture ceased to be the leading export sector as manufacturing came to account for over 75 per cent of total exports by 2000. Between 1980 and 1999, the urban population increased dramatically, from 44 to 74 per cent of the total population. This massive increase in the urban population was in part a result of diffused industrialization but it was also linked to increasing regional inequalities, rising societal expectations and the lack of personal security in conflict zones. In addition to large cities, regional urban centers attracted a significant share of this migration and led to a growth spurt of second tier regions such as Diyarbakır, Gaziantep, Konya, and Kayseri, all of which exceeded one million in population during this period.

A new generation of indigenous entrepreneurs and conservative Anatolian urbanites began to undermine the state elite and their middle class allies. The popularity of traditional right wing parties diminished throughout the 1990s, as they became embroiled in banking scandals, political sleaze, and the war with the PKK. Throughout the early years of liberalization, as was the case previously, SMEs had almost no access to affordable financial capital, export markets, and new technologies. Thus, their engagement with the export-led liberal growth regime was initially peripheral while the major beneficiaries were the family conglomerates and multinational capital. Similarly, the urban poor, pensioners, and low wage earners were among the losers of the new economic order. In the political arena, the left wing parties failed to recover from the ground they had lost after the purges that

followed the military coup, the disintegration of the communist regimes in Eastern Europe, and the dissolution of the USSR. The Refah Party benefitting from disillusion with mainstream politics, and mobilized by Islamist ideals drew support from the disenfranchised lower social classes. In a society with much resentment but no clear opposition, Islamist politics emerged as a new political force.

The Islamist political discourse was not entirely new to Turkish politics; its roots can be found in the intellectual discourse over the early modernization attempts of the Ottoman Empire in the nineteenth century. The modern revival of Islamist politics was initially subsumed within the Democrat Party (DP) after its electoral successes in the 1950s. It came out of the shadows of the centre right politics when the predecessor of the Refah Party, the National Salvation Party (MSP), was formed under the leadership of Necmettin Erbakan in 1972. Islamist politics played a significant role in the party until the MSP was closed down along with other political parties by the 1980 military coup government. The party obtained over 10 per cent of votes in the 1973 elections and even joined a short-lived coalition government led by CHP in 1974. As the speed of liberalization intensified in the 1980s and 1990s, this created new winners and losers. Thus, Islamic groups expanded their societal influence through Islamic brotherhoods and business networks.

With the Islamic brotherhoods' extensive network of charity and philanthropy, they were able to reach out to the dispossessed and marginalized groups. Throughout the 1990s, they aggressively recruited and expanded their social base. The Refah Party took over the management of Turkey's two major cities (Ankara and Istanbul) for the first time when they won mayoral elections in 1994. Decentralization increased the powers of elected local governments in economic development and generated new opportunities for local businesses. This gave way to the rise of the economic power of Islamic groups at the local level through municipal procurement, construction, and real estate development. The Refah Party propaganda initially maintained its MSP line and propagated an anti-western and an anti-EU stance. The Party, like their leftist political counterparts two decades previously, claimed to bring about societal justice on a grand scale through a "Just Order" (Adil Düzen) by confronting what they then saw as the corrupt moral values of capitalism. These policies included the establishment of an Islamic currency and an Islamic common market, along with the promotion of multi-ownership companies and heavy industries under state-led developmentalism. These ideas were especially effective among the urban poor and those small businessmen who considered themselves as the losers of the early years of neo-liberalism.¹¹

Small business owners developed a strong antipathy towards the family cartels that controlled the country's economy as well as the inefficient state enterprises. This crystallized around an idealized notion of hard-working, genuine Anatolian people with Islamic traditions, as opposed to cosmopolitan and disingenuous Istanbul capitalists. When the secular establishment and the army began to see the Refah Party as a growing and seemingly popular threat to the secular regime, they sought to ban it from politics and they intervened to dissolve the coalition government in 1997. The turning point was the 2002 general elections, which resulted in the victory of the newly formed AK Party under the leadership of a young cadre that had split from Erbakan's Refah Party. This new generation of leaders, who came from lower and middle class families, saw their future opportunities in alliance with the neo-liberal economic order. Instead of promoting an Islamic union, they saw engagement with the USA and EU as a strategic asset in domestic political power building. Without questioning the basis of their predecessors' fiscal and economic policies, the AK Party government continued to implement macroeconomic stability and financial responsibility practices that were part of the IMF stability program. These directly followed suit and were in line with the Ecevit government's reforms in the aftermath of the 2001 banking and financial sector crises. The AK Party modified Refah's political platform to accommodate the ambitions of Anatolian business groups and their middle class allies.

Table 1. Turkey's Foreign Trade Since 1923

| Yillar Years | Exports | | Imports | | Balance of Foreign Trade | Volume of Foreign Trade | Proportion of Imports covered by Exports |
|-----------------|------------------|-------------|------------------|-------------|--------------------------------|-------------------------------|--|
| | Value '000 \$ | Change % | Value '000 \$ | Change % | Value '000 \$ | Value '000 \$ | % |
| 1923 | 50 790 | | 86 872 | | -36 082 | 137 662 | 58.5 |
| 1930 | 71 380 | -4.6 | 69 540 | -43.7 | 1 840 | 140 920 | 102.6 |
| 1940 | 80 904 | -18.8 | 50 035 | -45.9 | 30 869 | 130 939 | 161.7 |
| 1950 | 263 424 | 6.3 | 285 664 | -1.6 | -22 240 | 549 088 | 92.2 |
| 1960 | 320 731 | -9.3 | 468 186 | -0.4 | -147 455 | 788 917 | 68.5 |
| 1970 | 588 476 | 9.6 | 947 604 | 18.3 | -359 128 | 1 536 081 | 62.1 |
| 1975 | 1 401 075 | -8.6 | 4 738 558 | 25.4 | -3 337 483 | 6 139 633 | 29.6 |
| 1980 | 2 910 122 | 28.7 | 7 909 364 | 56.0 | -4 999 242 | 10 819 486 | 36.8 |
| 1985 | 7 958 010 | 11.6 | 11 343 376 | 5.5 | -3 385 367 | 19 301 386 | 70.2 |
| 1990 | 12 959 288 | 11.5 | 22 302 126 | 41.2 | -9 342 838 | 35 261 413 | 58.1 |
| 1995 | 21 637 041 | 19.5 | 35 709 011 | 53.5 | -14 071 970 | 57 346 052 | 60.6 |
| 2000 | 27 774 906 | 4.5 | 54 502 821 | 34.0 | -26 727 914 | 82 277 727 | 51.0 |
| 2005 | 73 476 408 | 16.3 | 116 774 151 | 19.7 | -43 297 743 | 190 250 559 | 62.9 |
| 2008 | 132 027 196 | 23.1 | 201 963 574 | 18.8 | -69 936 378 | 333 990 770 | 65.4 |

Source: Turkish Statistical Institute: http://www.tuik.gov.tr/VeriBilgi.do?tb_id=12&kust_id=4

Table 2. Distribution of Manufacturing Industry Enterprises (MIEs) in New Anatolian Industrial Centers (According to Size Groups)

| Provinces | MIEs Groups | 1980 | | 1990 | | 2000 | |
|-----------------|----------------|-------------|--------------|-------------|----------------|--------------|--------------|
| | | MIEs | % | MIEs | % | MIEs | % |
| Denizli | 10-49 | 88 | 1.34 | 55 | 0.95 | 268 | 3.84 |
| | 50-199 | 22 | 1.53 | 25 | 1.21 | 95 | 3.23 |
| | 200+ | 7 | 1.02 | 19 | 1.83 | 53 | 4.41 |
| | Total | 117 | 1.34 | 99 | 1.12 | 416 | 3.74 |
| Gaziantep | 10-49 | 116 | 1.76 | 70 | 1.21 | 174 | 2.50 |
| | 50-199 | 16 | 1.11 | 32 | 1.54 | 60 | 2.04 |
| | 200+ | 8 | 1.17 | 15 | 1.45 | 25 | 2.08 |
| | Total | 140 | 1.61 | 117 | 1.32 | 259 | 2.33 |
| Kayseri | 10-49 | 68 | 1.03 | 59 | 1.02 | 94 | 1.35 |
| | 50-199 | 19 | 1.32 | 29 | 1.40 | 58 | 1.97 |
| | 200+ | 15 | 2.19 | 21 | 2.03 | 26 | 2.16 |
| | Total | 102 | 1.17 | 109 | 1.23 | 178 | 1.60 |
| Çorum | 10-49 | 52 | 0.79 | 59 | 1.02 | 52 | 0.75 |
| | 50-199 | 3 | 0.21 | 20 | 0.97 | 32 | 1.09 |
| | 200+ | 1 | 0.15 | 2 | 0.19 | 3 | 0.25 |
| | Total | 56 | 0.64 | 81 | 0.91 | 87 | 0.78 |
| Kahraman Maraş | 10-49 | 15 | 0.23 | 31 | 0.54 | 43 | 0.62 |
| | 50-199 | 2 | 0.14 | 3 | 0.14 | 15 | 0.51 |
| | 200+ | 2 | 0.29 | 7 | 0.68 | 10 | 0.83 |
| | Total | 19 | 0.22 | 41 | 0.46 | 68 | 0.61 |
| Other Provinces | 10-49 | 6247 | 94.85 | 5488 | 95.24 | 6341 | 90.95 |
| | 50-199 | 1375 | 95.69 | 1963 | 94.74 | 2684 | 91.17 |
| | 200+ | 651 | 95.18 | 973 | 93.83 | 1085 | 90.27 |
| | Total | 8273 | 95.02 | 8424 | 94.96 | 10110 | 90.23 |
| Turkey | 10-49 | 6586 | 100 | 5762 | 100 | 6972 | 100 |
| | 50-199 | 1437 | 100 | 2072 | 100 | 2944 | 100 |
| | 200+ | 684 | 100 | 1037 | 100 | 1202 | 100 |
| | Total | 8707 | 100 | 8871 | 1003.84 | 11118 | 100 |

Source: State Institute of Statistics Database (2004) cited in Özaslan (2005)

New Entrepreneurship Energized by Islam

The growth of entrepreneurialism energized by Islam accelerated the rate of capital accumulation and export-led growth, which in turn facilitated the rise of indigenous Anatolian entrepreneurs.¹² A new pattern of wealth and capital accumulation changed the outlook of Anatolian towns along with the growth of the new middle classes. For the first time in several centuries, large numbers of Muslims, who had previously shied away from capitalist endeavors, engaged in entrepreneurship. These middle classes relied upon indigenous private sector development and opportunistic entrepreneurship. Following the Customs Union agreement, signed in 1995, EU-Turkey relations deepened in trade and other forms

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of exchange. Many SMEs began looking for new business opportunities in European markets as well as Russia and the CIS (Common Wealth of Independent States) and they found many niche markets to penetrate. However, they were unwilling to support a political party that was promoting an Islamic currency or the establishment of an Islamic common market. Capitalizing on this business pragmatism and realizing the new

opportunities abroad, this second wave of Islamic politics followed a diametrically opposite path to what the Refah Party developed; they took a pro-EU and western stance. Subsequently, the AK Party moved towards the centre right of Turkey's political spectrum with a fresh neo-liberal outlook under its new leader, Recep Tayyip Erdoğan, supported by a pragmatic cadre of businessmen and professionals. The newly formed party, a political coalition similar to ANAP, came to power in the 2002 elections with a plurality of 34 per cent of total votes. It went on to win half of the municipal governments in 2004. The party increased its votes to almost 47 per cent in the 2007 general elections but lost some local governments in 2009 (its votes fell from 42 per cent to 38.8 per cent). The graduates of state schools providing religious education and many private education institutions linked to Islamic brotherhoods provided the young cadres of the party. Thus, moving from the fringe, a visibly devout Muslim middle class took the centre stage in politics and the civil service, capitalizing on the ability of their sponsors to promote their own.

The spread of Islamic brotherhoods was a primarily urban phenomenon and it built successful alliances with SME owners. Decentralization to markets and civil society in diverse forms facilitated the growth of municipal powers and the spread of Islamic brotherhood networks at the grassroots level throughout the 1990s. The inadequacies of the central state's ability to provide sufficient health, education, and general welfare services were exploited by these groups as they sought to re-allocate resources and social benefits to their affiliated communities. Municipal resources played a key role in the new allocation regimes and they paved the way to the popular success of the AK Party. Erdoğan, himself, gained initial popularity as the mayor of Istanbul. New entrepreneurialism and a sense of independence gave rise to a diverse range of business ventures in growing urban markets. Small scale manufacturing, all forms of trade and land development and new housing created earnings and speculative interests for local businessmen.

By winning the municipalities of several large towns, Islamist politicians began to channel municipal procurement and spending to their favored businessmen starting from the mid-1990s. Özcan's study of three Anatolian towns, Denizli, Gaziantep and Kayseri, reveals a deepening ideological split as Islamic business groups and their fraternity organizations

pursued their own political agendas, most notably in Kayseri.¹³ Another study by Özcan illustrated how old established business groups, who initiated large local development projects in Kayseri, were eliminated from decision-making positions and new allocation regimes by Islamist mayors and their business allies.¹⁴

However, despite their growing role in the economy and society, SMEs and their Islamic networks developed strong resentment towards state elites.¹⁵ While they sought more economic and political power, they were undermined and frequently blocked by the centralist bureaucracy in Ankara. They also saw Turkey's large conglomerates as their rivals and inhibitors in accessing international financial and industrial markets. A heated debate around secularism and religious revivalism deepened the fault line between Turkey's old and new middle classes. A discourse of marginalization and injustice galvanized Islamic politics as they faced sharpening opposition from the establishment, most notably from the army and the judiciary. Through their social and community engagement and discourse of injustice, Islamic groups managed to capture the moral high ground and gained the political support of the lower social strata. Their prolific use of grassroots' networks, civic associations, and neighborhood social circles paid dividends at the ballot box, even when they faced legal threats.

Islamic groups have long had the ambition to create autonomous institutions separate from the secular state. By forming solidarity platforms and networks they aimed to insulate their regime, protect business niches, and create new opportunities for network members. By launching new business development models and capital formations, they built alternative routes to avoid state institutions and strengthen their networks. One notable case was the establishment of Anatolian holding companies, which quickly spread across many towns, including Denizli, Konya, Yozgat, and Sivas, throughout the 1990s. Promoted and established by merchant entrepreneurs and resting mostly on informal structures, these companies collected small savings from thousands of local families and Turkish workers

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in Germany. With the promise of high future dividends, no use of interest, and a mission to industrialize the homeland, they channeled funds to their affiliated companies informally and without using intermediary financial institutions. Followers of Fetullah Gülen, Nakşibendi and Süleymancı brotherhoods emerged as the key conduits for campaigning among Turkish workers in Germany. By using

religious symbols and signals, companies such as Kombassan and Yimpaş collected millions of dollars from families. However, some failed to keep their promise to their investors and built some audaciously scandalous ponzi schemes.¹⁶

The Fetullah Gülen community has been especially active in promoting businesses and by 2009 is said to have been associated with at least 500 firms. The Gülen movement promotes a synthesis between Islam and free market, where Islam assumes a moral value involving economic activity. Among its affiliated assets are Asya Bank and Işık Insurance, and the highly influential newspaper, *Zaman*, in addition to the hundreds of schools and seven universities for which the movement is best known. This large number of businessmen, employees, and former students provide a loyal mass of economically motivated adherents to the movement.¹⁷ These ties expanded business opportunities at home and abroad for its affiliated SME owners.

The increasing number of SMEs led to the emergence of new industrial centers and fuelled business diversity and competition (see Table 2). The growing rivalry between first and second-generation business elites resulted in the fragmentation of business interest representation. The first Islamist business association, MÜSİAD, established in 1990, became a major representative body within a decade.¹⁸ MÜSİAD rivals TÜSİAD, which was formed in 1971 to represent leading establishment business groups and has offices in the US (Washington), Europe (Brussels, Berlin, and Paris), and China (Beijing). MÜSİAD is more aggressive internationally with representatives in 40 countries. Of its almost 90 offices, many are in Islamic countries. Contrary to TÜSİAD, which advocates an open trade regime and integration with EU markets, MÜSİAD promotes economic relations with Muslim countries and has a wider regional representation in Anatolian cities. Most of its member businesses were established in the late 1980s and tend to be smaller than their TÜSİAD counterparts. As business interests continue to diverge along with the increasing number of export oriented businesses, new

solidarity groups and lobbying platforms emerge. A new Islamic-leaning group, the Turkish Businessmen and Industrialists' Confederation (TUSKON), established in 2005, brings together 151 business associations with over 14,000 businesses across the country.

Although Islamic values are widely employed as social glue for interpersonal trust, these new capitalist classes and their solidarity platforms are as motivated by self-interest and profit making as others. While aligning their interests with the poor and disadvantaged at the lower tier of the social strata and by championing justice and fairness, this movement formed broader social alliances. During its first government (2002-2007), the AK Party pursued "neo-liberal populism" with a veneer of Islamic morals. They appealed directly to the masses and circumvented, where possible, state institutions. Islamic groups allied with the AK Party developed their own power elite and employed favoritism and corrupt business practices when necessary. Consequently, the newly emerging conservative middle classes and large businesses began receiving new economic privileges.¹⁹ For instance, two Turkish state-owned banks, Halk Bankası and Vakıfbank, had stepped in to provide 750 million USD in loans to Çalık Holding, which is known to maintain close relations with Prime Minister Erdoğan, in order to enable it to purchase the second largest media group (ATV-Sabah). In another transaction, the Turkish government gave Çalık Energy and the Indian Oil Corporation (IOC) permission to build a 300,000 barrels a day (b/d) refinery at the Mediterranean port of Ceyhan. Another example of extramural favoritism occurred in Hatay where AK Party affiliates won a vast majority, over 250, small and medium-size government contracts, with even more rumored to have been awarded to relatives and friends of party officials.

Secular or Islamist, Turkey's middle classes are converging towards similar consumption styles while the new Islamist business elite surround themselves with luxury brands, new villas, and private beaches

Search for a New Identity

A crucial factor in the formation of this new middle class has been its identity crisis. Rapid urbanization, the penetration of new media, and globalization dislocated many traditional values and worldviews in Turkey, as elsewhere. This, combined with the increasing role of money and power in society, prompted a search for authenticity and a moral anchor to balance the turbulence brought by massive societal changes. This trend was further affected by growing economic liberalization and the ideological dissolution of the Cold War in the 1980s. Economic liberalization took money and entrepreneurialism to the centre of soci-

In response to growing convergence between two distinct middle classes, Islamist groups are searching for new pillars of authenticity

etal relations, fundamentally changing consumer habits, norms, and values. A proliferation of television channels with reality shows and sexually provocative soap operas, tabloid gossip columns and vacuous radio talk program were seen to be promoting new values and behaviors

that deepened an already widely felt sense of insecurity. Many conservatives saw these as a sign of cultural decay and an attack on family values. Women, especially, became objects of this materialization as well as contestation.²⁰

The end of the Cold War destabilized “traditional-conservative” (right wing) and “modern-progressive” (left wing) politics, further deepening the insecurity of the middle classes. They responded in an entrepreneurial spirit and sought alternative modus operandi to state sponsored economic modernization and top-down management. MÜSİAD, TUSKON, and other political-business alliances provided one kind of mobilization that served as local social and cultural institutions in addition to their commercial roles. There was also an associated growth of community services outside the public sector, including Islamist-leaning private schools, hospitals, and NGOs.

However, a discourse of victim-victor dichotomization, narrated through Islamist forums, gave pious Muslims a renewed perception in the 1990s that they had long been a kind of underclass. These ideas fed into a rhetoric of suppression, alienation, and state conspiracy against the moral and righteous. The fact that the Turkish Republic had outlawed Islamic brotherhoods and monopolized religion as part of the state administration contributed to this new rhetoric of victimization. Islamic groups were depicted as “dangerous” and “backward” in the mainstream media and such propaganda further fuelled societal alienation, uniting the new middle classes and their allied marginal urban groups against their secular “oppressors.”

As Islamists strived to form a distinct identity, they used specific symbols to signal the link with each other to mobilize their combined efforts, to protect themselves, and gain power. However, there is no homogenized Islamic group or community, nor is there one unified Islamic ideology and culture in Turkey. Islamic groups frequently present contradictions and ambiguities in their own interpretation of money and morality. It is not always easy to differentiate Islamic business groups from others, the so-called “secularists,” as they are now deeply embedded within the Turkish economy. Unlike their efforts to avoid the state in

the 1990s, since the formation of the first AK Party government in 2002, they have conducted most of their business with formal state institutions and pursued modern corporate goals. Symbols of authenticity and moral living have been incorporated into their core identity, the

most significant of which has been the urban form of headscarf (*turban*).²¹ The prohibition against wearing the headscarf in public offices and state schools was first used by the new establishment deliberately to galvanize the sense of exclusion and injustice among pious Muslims. While for others who adhered to Islam, but considered themselves modern secularists, the politicized headscarf was not an essential part of their identity or religion; they saw it merely as a central element of Islamist politics. The headscarves gained a new status in Turkish politics and society when most of the leading AK Party ministers' wives appeared in public wearing stylized covers. Paradoxically, the ban on the headscarves has not been lifted and the AK Party leaders and their powerful business allies continue to exploit the issue as a symbol of their continuing victimhood. Nevertheless, the piety and justice symbolized by headscarves also carries oddities and contradictions. Young women increasingly wear headscarves in urban areas along with seemingly immodest and "un-Islamic" dresses. Headscarves are now frequently seen accompanying tight jeans, heavy make-up, and revealing dresses. Secular or Islamist, Turkey's middle classes are converging towards similar consumption styles while the new Islamist business elite surround themselves with luxury brands, new villas, and private beaches. Thus, the gap between Turkey's old and new establishment is narrowing.

In response to this growing convergence between two distinct middle classes, Islamist groups are searching for new pillars of authenticity. Direct appeals to popular sentiment on issues of private morality and community behavior appear to be a growing and seemingly perilous trend. Neighborhood restrictions on the sale and drinking of alcohol, suffocating the production and sale of pork products, encouraging women to give birth to three children and other actions to encourage Islamic values seem to be creeping into the public discourse. This is leading to spatially more differentiated and contested responses, as urban neighborhoods, coastal and inner Anatolian towns and South-Eastern Kurdish regions continue to diverge in their attitudes towards the deepening influence of Islamic morality. Thus, there is a wide range of positions and attitudes rather than any uniform trend. Hence, we can optimistically argue that Islamic politics in Turkey is likely to accommodate these identity contests in democracy. Because so far, it has been

The rise of new business groups did not only change Turkey's domestic political trajectory, it also profoundly affected the country's foreign relations

driven by pragmatic self-interested business people, not an ideologically minded clergy as in the case of Iran.

A New Era in Foreign Relations

The rise of new business groups did not only change Turkey's domestic political trajectory, it also profoundly affected the country's foreign relations. Islamist groups initially built their own trade and personal connections, in particular in the Arab world, the Balkans, and Eurasia. Sometimes they followed in the footsteps of the first generation family conglomerates in these markets but they often developed their own auxiliary networks using business associations, charities, and the Gülen movement's schools. With the AK Party's electoral success, however, these sporadic initiatives turned into more systematic efforts and brought about structural changes in foreign policy.

There are three key important aspects of this new orientation. First, the increase in trade relations with the neighboring regions of the Balkans and the Middle East continues to provide a firm foundation to the "zero problem policy with neighbors" that was initiated by the energetic Foreign Minister, Ahmet Davutoğlu. Turkish companies have been successful in penetrating relatively under-developed neighboring markets for over two decades and have been lobbying the government for a stronger engagement in the region. For over a decade, Turkish politicians as well as diplomats struggled to formulate new initiatives in foreign policy. Pressure from aggressive export oriented SMEs eventually triggered more business friendly diplomacy in Ankara. New trade patterns began to play a vital role in re-balancing relations with Arab countries. In 2008, the trade volume with the Arab world reached 30 billion USD. Turkey is in the process of abolishing visas with a number of Arab countries (including Jordan, Lebanon, Libya as well as Syria) and Russia. The free trade zone among Turkey, Syria, Lebanon, and Jordan is under discussion and will allow Turkey's South-Eastern towns to link with their historic economic zones. This process has already started in Gaziantep with the establishment of the free trade zone with Syria in 2007. Similarly, improving relations with Iraq and its Kurdistan Regional Government led to the growth of many new business opportunities and investments, making Iraq the fifth largest export market (see Table 3).²²

Second, Turkey has become a network node of international energy trade and business opportunities in energy infrastructure development have grown rapidly. Domestic energy consumption boomed along with its industrial growth and Turkey has now become the second highest consumer of Russian gas in Europe after

Germany. In 2008, Turkey consumed 30.3 million oil equivalent tons of gas, the vast bulk of which was sourced from Russia and Iran and much of it was linked to infrastructure investments of Turkish firms.²³ Despite a large trade deficit with Russia, economic relations are evolving towards a mutually beneficial direction.²⁴ Hundreds of Turkish SMEs and large businesses operate in the former Soviet space. As of 2007, long-term projects by Turkish contractors were underway in Russia, amounting to around 28 billion USD, of which 5 billion USD were newly initiated in that year alone.²⁵

Table 3. The Top 26 Destinations for Turkey's Exports in 2009 (million \$)

| 2009 Country | Total value (000 USD) | 102 142 613 |
|-----------------|-----------------------|-------------|
| 1 | Germany | 9 783 225 |
| 2 | France | 6 208 801 |
| 3 | United Kingdom | 5 915 169 |
| 4 | Italy | 5 890 484 |
| 5 | Iraq | 5 123 510 |
| 6 | Switzerland | 3 931 821 |
| 7 | U.S.A | 3 222 821 |
| 8 | Russia Fed | 3 202 398 |
| 9 | U.A.E. | 2 898 839 |
| 10 | Egypt | 2 618 193 |
| 11 | Spain | 2 823 657 |
| 12 | Romania | 2 215 736 |
| 13 | Netherlands | 2 123 961 |
| 14 | Iran | 2 024 863 |
| 15 | Libya | 1 799 236 |
| 16 | Belgium | 1 796 330 |
| 17 | Algeria | 1 780 136 |
| 18 | Saudi Arabia | 1 771 192 |
| 19 | Greece | 1 634 388 |
| 20 | China | 1 599 139 |
| 21 | Israel | 1 528 459 |
| 22 | Syria | 1 425 111 |
| 23 | Azerbaijan | 1 399 399 |
| 24 | Bulgaria | 1 389 199 |
| 25 | Poland | 1 321 118 |
| 26 | Ukraine | 1 033 449 |

Source: Turkish Statistical Institute http://www.tuik.gov.tr/VeriBilgi.do?tb_id=12&ust_id=4

Third, as trade with neighbors and the energy market grow, the image of business relations shifts from that of the 1980s and 1990s into new patterns. Turkey is no longer dependent on a handful of countries for its exports, as it is actively developing economic ties with countries as diverse as South Korea, India, and Romania. The growing trade with Arab countries, Eastern Europe, Russia, and

Iran attracts businesses interested in growth and new markets. As seen in Table 4, Russia, Germany, and China were the three leading sources of Turkish imports in 2009. The three leading import items are: energy, technology, and cheap consumer goods. Exports are also diversifying, although stable trade makes Germany, France, the UK, and Italy still the leading destinations. Growth in exports to Iraq, Russia, the UAE, Egypt, Romania, and Iran are impressive. FDI, long dominated by the Eurozone, has been affected by the economic downturn and is moving towards a balance of worldwide sources (see Table 5). Chinese Premier Wen Jaibao announced an upgrade in China-Turkey relations from a simple bilateral one to that of a “strategic partnership” during his visit to Turkey. In a similar vein, Prime Minister Tayyip Erdoğan proclaimed that “we reached an agreement to increase our trade volume with China to 50 billion USD by 2015 and, in the second phase, to 100 billion USD by 2020.”

Table 4. The Top 26 Destinations for Turkish Imports in 2009 (million \$)

| 2009 | | Total value (000 USD) | 140 928 421 |
|---------|----|-----------------------|-------------|
| Country | 1 | Russia Federation | 19 450 086 |
| | 2 | Germany | 14 096 963 |
| | 3 | China | 12 676 573 |
| | 4 | U.S.A | 8 575 737 |
| | 5 | Italy | 7 673 374 |
| | 6 | France . | 7 091 795 |
| | 7 | Spain | 3 776 917 |
| | 8 | United Kingdom | 3 473 433 |
| | 9 | Iran | 3 405 986 |
| | 10 | South Korea | 3 118 214 |
| | 11 | Romania and Bulgaria | 3 374 865 |
| | 12 | Ukraine | 3 156 659 |
| | 13 | Japan | 2 781 971 |
| | 14 | Netherlands | 2 543 073 |
| | 15 | Belgium | 2 371 516 |
| | 16 | Algeria | 2 028 115 |
| | 17 | Switzerland | 1 999 386 |
| | 18 | India | 1 902 607 |
| | 19 | Sweden | 1 890 994 |
| | 20 | Poland | 1 817 093 |
| | 21 | Saudi Arabia | 1 686 743 |
| | 22 | Kazakhstan | 1 348 903 |
| | 23 | Taiwan | 1 342 410 |
| | 24 | Austria | 1 203 634 |
| | 25 | Greece | 1 131 065 |
| | 26 | Brazil | 1 105 890 |

Source: Turkish Statistical Institute http://www.tuik.gov.tr/VeriBilgi.do?tb_id=12&ust_id=4

While economic affairs are important for international relations, Turkey's political capital is not always congruent with trade. The high volume of trade with France and Germany does not necessarily drive Turkey's relations with the EU in a positive direction. In contrast, Turkey sees the relatively small but rapidly increasing economic ties with the Arab countries, the Balkans and Eurasia as opening new avenues for regional influence. The "zero problem" policy aims to cement long lasting trusting relations with the neighboring governments, seemingly without pushing forward any political agenda. Turkey's new business groups are not interested in promoting Islamist political agendas but rather concentrate just on favorable market conditions. Nevertheless, Turkey's engagement with authoritarian or semi-authoritarian regimes carries future risks. The political elites of these regimes feel threatened by the prospect of popular upheavals for democratic representation or popular Islamism. Although it is highly appealing, Turkey is not necessarily a desirable model for these elites. Similarly, Turkish business groups face tougher legal and institutional environments in these countries, especially in the former Soviet Union where property rights are not well safeguarded and the ruling groups behave erratically and opportunistically.

Table 5. Turkey's Foreign Direct Investment Inflow by Country (million \$)

| Countries | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|-------|--------|--------|--------|-------|
| European Union (27) | 5,006 | 14,489 | 12,601 | 11,051 | 4,945 |
| Germany | 391 | 357 | 954 | 1,211 | 496 |
| France | 2,107 | 439 | 367 | 679 | 616 |
| Netherlands | 383 | 5,069 | 5,442 | 1,343 | 738 |
| United Kingdom | 166 | 628 | 703 | 1,336 | 350 |
| Italy | 692 | 189 | 74 | 249 | 314 |
| Other European Countries | 1,267 | 7,807 | 5,061 | 6,233 | 2,431 |
| Other European Countries (Excluding EU) | 1,646 | 85 | 373 | 291 | 305 |
| Africa | 3 | 21 | 5 | 82 | 2 |
| USA | 88 | 848 | 4,212 | 863 | 260 |
| Canada | 26 | 121 | 11 | 23 | 52 |
| Central-South America and Caribbean | 8 | 33 | 494 | 60 | 19 |
| Asian | 1,756 | 1,927 | 1,405 | 2,361 | 670 |
| Near and Middle Eastern Countries | 1,678 | 1,910 | 608 | 2,199 | 358 |
| Gulf Arabian Countries | 1,675 | 1,783 | 311 | 1,978 | 206 |
| Other Near and Middle Eastern Countries | 2 | 3 | 196 | 96 | 78 |
| Other Asian Countries | 78 | 17 | 797 | 162 | 312 |
| Other Countries | 2 | 115 | 36 | 2 | 12 |
| Total | 8,535 | 17,639 | 19,137 | 14,733 | 6,265 |

Source: Central Bank of the Republic of Turkey

<http://www.invest.gov.tr/en-US/investmentguide/investorsguide/pages/FDIinTurkey.aspx>

Newly emerging middle classes are engaged in promoting Islam as an ideology and moral glue in the class politics of Turkey

Conclusion

We have argued that Anatolian entrepreneurs changed the politics and economy of Turkey. They did not displace the family conglomerates and old businesses

but instead engendered the growth of their own groups along with expanding market opportunities. These new middle classes are engaged in promoting Islam as a strategic resource in the class politics of Turkey and seek protection from the negative effects of market capitalism. Although evolving chaotically, this change is likely to have long lasting effects on the political economy of the country. Therefore, the future direction of class mobility and democratic reforms will depend on the choices of the new pious middle classes and their newly forming elite in relation to ethnic nationalism, authoritarian tendencies, and status quo politics. For the time being, there are several important implications.

First of all, this trend brought about further social mobility chances to new segments of the society. By breaking into the control exercised by the old state elite and their business and local allies, new middle classes and SMEs managed to create new opportunities for their rank and file. In doing so, they energized Islamic political movements, incorporated multiple techniques for building solidarity networks, and aligned their interests with the lower stratum of the society. Thus, they used Islam as a strategic resource. They effectively and most critically utilized municipal resources to deepen local business networks. With the AK Party governments since 2002, they also benefitted from central government funds and promotional activities to generate business opportunities and finance capital for their associates. These groups successfully diffused into lower segments of the society through charitable institutions and social help. While promoting Islamic political agendas among the economically and culturally marginalized urban population, they were successful in providing educational and professional opportunities to the children of the poor. This class mobility and dynamism is a positive factor in economic growth, as it gives SMEs across Anatolia a modern and outward looking perspective. However, this economic change has not yet been fully reflected in the quality of public services, access to resources, and equitable growth among the regions. Over the past few years Turkey has only marginally improved on its low standing in the UN human development index.

Secondly, the rise of the new middle classes created a split in traditional middle class positions in the country due to generational, ideological, and religious factors. Yet, the inclusion of Islamist politics and the engagement with democratic re-

forms to meet the EU accession criteria widened democratic participation and social inclusion, especially most recently for the Kurds. However, while suggesting optimism we remain cautious about the ability of the new middle classes to build a democratic and pluralistic society. The reason we counsel caution has

more to do with middle class opportunism than the stereotypical prejudice about the incompatibility between Islam and democracy. Evidence from numerous non-Islamic countries such as Argentina, Malaysia, Mexico, and Thailand point out that the regimes the middle classes choose depends among other things on their prospects of social mobility. Aside from the consolidated democracies, the position of middle classes around the world in supporting democracy against non-democracy or authoritarianism has been historically inconsistent.²⁶ Although there are authoritarian tendencies in the AK Party, it is too early to reach a verdict on what kinds of ties will form between a western style plural democracy and the new overtly Muslim middle classes. Turkey has the advantage of a highly diversified and competitive businesses environment in contrast to authoritarian states dominated by resource dependent economies (such as Russia and Iran), or others with cohesive business groups protected by military or dictatorial regimes (as such as Egypt today and Spain before 1980). We optimistically believe that these diversified interests require and can best be served by democracy.

Thirdly, newly emerging middle classes are engaged in promoting Islam as an ideology and moral glue in the class politics of Turkey. They concentrated their efforts on the protection and re-allocation of wealth and property for their groups and affiliated businesses. Liberal economic order and globalization served their interests in securing and expanding business opportunities abroad, especially in the developing markets, such as the former communist block, Africa, and the Middle East. The political mobilization of Anatolian businessmen under the AK Party, while benefitting from the end of the Cold War divisions, destabilized the long established positions between right and left wing politics in Turkey. This political dislocation brought about a new dynamism and pragmatism in international affairs. A growing assertion of business ties and strategic interests nowadays is redefining Turkey's external relations with Russia, Iran, and other states in the region. These developments require a layered and more complex role for the country in its region and beyond. This will not only benefit Islamic leaning business groups but also Turkey's old family conglomerates and others. Capitalists from different

Although new Islamic leaning business groups have become the winners of the new regime, they have increasingly lost their cutting edge idealism and originality

dispositions are acting abroad together and filling different gaps. Despite its blunders and opportunistic instincts, this new orientation is likely to improve Turkey's economic influence and diplomatic stance in East-West alliances, affecting its relations with NATO and the EU.

Finally, we argue that the paradox between modernity and authenticity remains unresolved for Turkey's old middle classes and the new pious elite alike. A similar proposition can be argued for the old business establishment and the secular elite vis-à-vis the western universal ideals of modernity. Thus, Turkey's changing domestic and international standing is moving towards multiple identity formations. Although new Islamic leaning business groups have become the winners of the new regime, they have increasingly lost their cutting edge idealism and originality. They are being "normalized" as the new establishment.²⁷ Political sleaze, corruption in public procurement, and populist trends increasingly define the nature of their business operations. Similarly, despite a just and moral business discourse promoted by the Islamic groups, unaccountable distribution of business opportunities continue to prevail under the AK Party governments as they had been for Turkey's previous governments and ruling elites. New re-allocation mechanisms generate favored clients and human development priorities are still lagging.

Endnotes

1) See Ruşen Çakır, *Ayet ve Slogan* (Istanbul: Metis Yayınları, 1995); Nilüfer Göle, *İslam'ın Yeni Kamusal Yüzleri* (Istanbul: Metis, 1999); Hakan Yavuz, *Secularism and Muslim Democracy in Turkey* (Cambridge: Cambridge University Press, 2009).

2) See Şebnem Gümüşçü, "Class, Status, and Party: The Changing Face of Political Islam in Turkey and Egypt," *Comparative Political Studies*, Vol. 43, No. 7, (2010), pp. 835-861; Ziya Öniş, "The Political Economy of Islamic Resurgence in Turkey: The Rise of the Welfare Party in Perspective," *Third World Quarterly*, Vol. 18, No. 4, (1997), pp. 743-766; Cihan Tuğal, *Passive Revolution: Absorbing the Islamic Challenge to Capitalism* (Stanford University Press, Stanford, 2006).

3) This was not unique to Turkey; many *developmentalist* states, most notably South Korea and Japan, pursued policies of state-supported industrial growth, which led to the domination of family run conglomerates.

4) For an analysis of globalization and distribution channels in Turkey see Nebahat Tokatlı and Yonca Boyacı Eldener, "Globalization and the Changing Political Economy of Distribution Channels in Turkey," *Environment and Planning A*, Vol. 34, No. 2, (2002), pp. 217-238.

5) Gül Berna Özcan, *Small Firms and Local Economic Development: Entrepreneurship in Southern Europe and Turkey* (Aldershot: Avebury Press, 1995).

6) The outlook of Turkish cities, as in the developing world, did not resemble their counterparts in advanced capitalist countries. A heated debate on the nature of "Third World" cities stressed the nature of backwardness and the Third World's dependency on the global industrial capital. Turkish scholars argued that underdeveloped countries had a distorted and dependent urbanization, replete with informality and casual jobs. See, for example, İlhan Tekeli, Yiğit Gülöksüz and Tarık Okyay, *Gecekondulu, Dolmuşlu, İşportalı Şehir* (Istanbul: Cem Yayınevi, 1976).

7) In 1980, 60 per cent of the working population was employed in agriculture; this rate fell to 48 per cent in 2000 and further declined to 26.8 per cent in 2006. With over 18 million people employed in agriculture, Turkey still has a large rural population compared to other European countries. See Türkiye İstatistik Enstitüsü, retrieved 28 September 2010 from http://www.tuik.gov.tr/VeriBilgi.do?tb_id=25&ust_id=8.

8) In the 1973 general elections, the Republican People's Party (CHP) won over 40 per cent of votes in all major cities: Ankara (41%), Istanbul (49%), Izmir (44%). Overall, with a 33 per cent share of the total votes, the party was ahead of the centre right parties; the Justice Party- AP (29.8%) and the Democratic Party-DP (11.8%) while the Islamist National Salvation Party (MSP) obtained 11.8 per cent, retrieved October 1, 2009, from http://www.belgenet.net/ayrinti.php?yil_id=7.

9) The AP's share was 36.9 per cent and the MSP became the third with a significant loss of votes, 8.5 per cent. The Republican People's Party increased its urban votes more than ten percent in all major cities: Ankara (51%), Istanbul (58.2%), Izmir (52.7%), retrieved October 1, 2009, from http://www.belgenet.net/ayrinti.php?yil_id=7.

10) The CHP proposed the village-town development projects (köy-kent projesi) and multi ownership companies (çok ortaklı şirketler) aiming to utilize small savings and remittances of immigrant workers. For an analysis of these projects, see Gül Berna Özcan and Murat Çokgezen, "Trusted Markets: the Exchanges of Islamic Companies", *Comparative Economic Studies*, Vol. 48, No.1, (2006), pp.132-155; Gül Berna Özcan and Murat Çokgezen, "Limits to Alternative Forms of Capitalisation: the Case of Anatolian Holding Companies", *World Development*, Vol. 31, No. 12, (2003), pp. 2061-2084.

11) Özcan's analysis of 216 SMEs in Denizli, Gaziantep and Kayseri at the beginning of the 1990s illustrated a moderate spread of Islamic ideology but more powerful presence of anti-state and anti-establishment sentiments among the SME owners. See Özcan, *Small Firms and Local Economic Development: Entrepreneurship in Southern Europe and Turkey*.

12) See Selçuk Uygur, "The Islamic Work Ethic and the Emergence of Turkish SME Owner-managers," *Journal of Business Ethics*, Vol. 88, No. 1, (2009), pp. 211-225.

13) Gül Berna Özcan, "Local Economic Development, Decentralization and Consensus Building in Turkey," *Progress in Planning*, Vol. 54, No. 1, (2000), pp. 199-278.

14) Gül Berna Özcan, "A Critical Analysis of Decentralization and Local Economic Development: the Turkish Case," *Environment and Planning C: Government and Policy*, Vol.24, No.1, (2006), pp. 117 -138.

15) Some scholars argue that Islam has long been part of the state ideology in Turkey. For example, Açıknel analyses the socio-psychological dimensions of political and ideological changes in the history of the Republic with what he calls the Turkish-Islamic synthesis, see: Fethi Açıknel, "Kutsal Mazlumluğun Psikopatolojisi," *Toplum ve Bilim*, No.70, (1996), pp.153-198.

16) Almost all of these holding companies were located in inner Anatolian towns such as Konya, Kayseri, Karaman and Kırşehir.

17) For example, see Rachel Sharon-Krespin, "Fethullah Gülen's Grand Ambition," *Middle East Quarterly*, (Winter, 2009), Vol. 16, No. 1, pp. 55-66; Toktamış Ateş, Eser Karakaş and İlber Ortaylı, *Barış Köprüleri: Dünyaya Açılan Türk Okulları* (İstanbul: Ufuk Kitap, 2005).

18) MÜSİAD is the Turkish acronym for Independent Industrialists and Businessmen's Association.

19) There has been numerous media reporting on these issues. A recent article by Oktay Ekşi in *Hürriyet*, "Bu Gemi Nereye Gidiyor" summarizes the extent of corruption in government procurement. See Oktay Ekşi, "Bu Gemi Nereye Gidiyor", *Hürriyet*, October 24, 2010. The AK Party Hatay

Deputy, Mr. Fuat Geçen, who accused the Hatay branch of the AK Party corrupting local tenders, was swiftly dismissed from the party. See reporting by *Türkish Daily News*, June 7, 2006.

20) Rubi Abe, "Transformation of Women's Consciousness & The Role of the Media in Modern Turkey," unpublished PhD dissertation, London School Economics, 2005.

21) Nilüfer Göle, *İslam'ın Yeni Kamusal Yüzleri* (Istanbul: Metis, 1999).

22) Daily shoppers and businessmen travel to Gaziantep in two hours from Aleppo. A major shopping centre, Sanko Park, was established in Gaziantep to cater this trade. Interview with Fahrettin Yağcı, the World Bank (January 10, 2010).

23) Large as well as small, all forms of Turkish investors and traders are active in the region. The East and Southeast Industrialists and Businessmen's Federation (DOGÜNSİFED) anticipates the scope of trade volume with Iraq will reach 10 billion USD from its 2010 rate of 6 billion USD in few years. See: "Akın akın Kuzey Irak'a gidiyorlar," *Hürriyet*, December 23, 2010.

24) The European Union of the Natural Gas Industry, "Natural gas consumption in EU27, Turkey and Switzerland in 2008", retrieved January 21, 2010, from <http://www.eurogas.org/uploaded/09P142%20-%20Press%20release%20on%20Evolution%20of%20Gas%20Consumption%202008.pdf>.

25) Turkish direct investments in Russia reached 6 billion USD by the end of 2007. Tuncay Babalı, "Turkey at the Energy Crossroads Turkey, Present and Past," *Middle East Quarterly*, Vol. 16, No. 2, (Spring, 2009), pp. 25-33.

26) Leventoğlu illustrates that ruling classes with similar economic conditions but different rates of mobility can make different choices with respect to regime type, see: Bahar Leventoğlu, "Social Mobility and Political Transitions," *Journal of Theoretical Politics*, Vol. 17, No. 4, (2005), pp. 465-496.

27) Yavuz argues that the Muslim bourgeoisie became democratized and opened up to the world economy. However, he points out that, there are also the "authoritarian temptations" of Prime Minister Erdoğan as he moves to replace Kemalism. See Yavuz, *Secularism and Muslim Democracy in Turkey* (Cambridge: Cambridge University Press, 2009).