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Global Free Trade and the Fragmentation of Capitalist Classes: An Uneven and Combined Development Approach to MUSIAD in Turkey

Akif Avcı^{*}

Abstract

“A small group of young Turkish patriots who have fallen in love with their country have laid the foundation of MUSIAD 30 years ago”. This passage has been taken from the official Twitter account of MUSIAD whose categorisation has always been a contested issue. MUSIAD has been called the “Anatolian Capital”, “Muslim Bourgeoisie”, “Devout Bourgeoisie”, and finally “patriots who have fall in love with their country”. The uniqueness of this study lays in its class-based approach to the MUSIAD affiliates, as it argues that MUSIAD is composed of three main class fractions which are nationally oriented, internationally oriented and transnational. This categorisation is based on the ways in which MUSIAD affiliates engage in social relations of production rather than matters of religion, culture, and ideology. Subsequently, this study argues that the rise of MUSIAD is part of a process of transformation in the patterns of capital accumulation and uneven development of capitalism in Turkey. Accordingly, this study draws on the uneven and combined development approach to understand why MUSIAD affiliates could not catch up with TUSIAD affiliated companies which mostly represent the transnational fraction of Turkish capital.

Keywords: Global Free Trade; Turkey; MUSIAD; TUSIAD; Uneven and Combined Development

Introduction

After the expansion of different circuits of Turkish capital, such as commercial, money and productive, from the 1980s onwards, small and medium-sized enterprises (SMEs) in Turkey have also started to engage in foreign trade with different countries. As such, these SMEs have experienced high growth rates, and some of them have transformed into larger fractions of capital which engage in production relations in different countries. This integration has created a fragmentation among SMEs in the 1990s and a contradiction between the larger companies represented by TUSIAD (*Türk İş İnsanları ve Sanayicileri Derneği*, Turkish Industrialists & Business Associations) and SMEs organised within MUSIAD members (*Müstakil Sanayici ve İşadamları Derneği*, the Independent Industrialists and Businessman Association). The aim of this article is to examine the dialectical relationship between the

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integration of Turkey into the global relations of free trade and the emergence and rise of MUSIAD in Turkey from a historical materialist perspective.

This study argues that Turkey integrated into global free trade relations in an uneven way. This situation has created international differences between Turkey and advanced capitalist countries as well as internal differences between various fractions of capital regarding institutional and class relations. This uneven integration has also created time and scale-based unevenness as each fraction of capital has integrated into the global relations of free trade in its own way at different times. In order to unpack the reasons behind this fragmentation, the main focus of this study is on social relations of production rather than the questions of religion, culture or identity. To this goal, it places special emphasis on how MUSIAD affiliates engage in production relations and global relations of free trade. In addition to this, this study uncovers the time and scale-based unevenness between MUSIAD and TUSIAD affiliated companies.

Along these lines, this study argues that the uneven development of global free trade relations has created new class fractions in host countries. The rise of MUSIAD coincides with the period in which Turkish companies have started to operate production facilities in different countries. Although this process was initiated by TUSIAD affiliates, it created new bourgeois class fractions with distinct interests. In this sense, the study argues that the rise of MUSIAD is not simply an outcome of the conflict between the *secular* and *Islamist* bourgeoisie, defined in super-structural terms in isolation from the social relations of production. Rather, the rise of MUSIAD is part of a process of transformation in the patterns of capital accumulation and uneven development of capitalism in Turkey.

The study has five sections. In the first section, this study constructs a class based analysis to MUSIAD affiliates. In doing so, the study challenges the mainstream approaches which distinguish different class fractions in Turkey without focusing on social relations of production. Subsequently, it introduces uneven and combined development (UCD) approach to analyse the emergence and rise of MUSIAD, to examine how MUSIAD affiliates engage in social relations of production, and at the same time, to address how they mediate the consolidation and survival of the capitalist class. In what follows, this study divides MUSIAD affiliates in three main groups based on the way in which they engage in the relations of production, exchange and revalorization. Furthermore, it uncovers how free trade creates unevenness between different fractions of capital represented by MUSIAD. Finally, this study concludes with an assessment of the capitalist relations of production in Turkish social formation.

A Class-Based Analysis of MUSIAD-Affiliated Firms

Previous works have been limited to the cultural, religious and regional dimensions in their examinations of business associations in Turkey. The literature on business associations in Turkey refers to different conceptualizations from various academic circles. For instance, authors (Sönmez 2010; Alkan 1998; Boratav 2014; Buğra & Savaşkan 2014) usually employ concepts such as “Kemalist bourgeoisie”, “Anatolian Tigers”, “Istanbul Capital”, “secular bourgeoisie”, and “Islamist bourgeoisie”. The main distinction made by these scholars is that

there are two camps of bourgeoisie in Turkey. One is a secular bourgeoisie organised within TUSIAD, which is mainly based in major cities such as Istanbul and Izmir and are loyal to secularism and democratic principles. On the other side, there is an Islamic-oriented capital fraction organised within MUSIAD and other business associations, which are mainly concentrated in industrialised Anatolian cities such as Kayseri and Gaziantep. Confirming Özgür Öztürk (2015), it is important to say that these classifications are certainly necessary in order to analyse the political conflicts and transformations in present-day Turkey. However, these classifications have significant weaknesses as they treat the big fraction of capital organised within TUSIAD as part of political society, while the smaller fractions organised within MUSIAD and other business associations are conceived as part of civil society. Additionally, mainstream approaches mostly argue that MUSIAD affiliates have emerged without getting direct assistance from the state; on the contrary, TUSIAD members have emerged and flourished with the help of Turkish state during the process of the industrialisation of Turkish economy. In relation to this argument, most recent studies argue that MUSIAD affiliates have received political and economic assistance in the *Adalet ve Kalkınma Partisi* (the AKP) period, while TUSIAD affiliates have been marginalised from the power bloc.

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

More precisely, mainstream approaches reduce class patterns to distributional conflicts and daily activities of businesspeople. This approach masks the class characteristics of MUSIAD member companies. Also, approaching this business association from a non-class perspective blurs the relationship between social relations of production and the role of MUSIAD affiliates in reproducing the social relations of production in Turkey. This study, therefore, goes beyond these simplistic explanations that mainly distinguish among business

associations based on their cultural, religious, and geographical features. With reference to several authors (Öztürk 2011; Ercan 2002; Gültekin Karakaş 2009), I eschew using these concepts to define the fractions in Turkish capital since the definition of classes is not only determined by their religious, cultural and traditional stances but also by the way in which they engage in the social relations of production. Accordingly, this study defines classes in terms of their positions in the social relations of production. Rather than reducing particular positions of different business associations to their religious and cultural attitudes, this study examines them through an empirical analysis based on their positions in relations of production, exchange and revalorization.

The class relations and practices of MUSIAD-affiliated firms and their specific forms of integration into global free trade relations can only be grasped by focusing on social relations of production. As Nicos Poulantzas states, the relations of production have the determinant role in the social formation, but the ideological and the political also occupy a very significant space (Poulantzas [1974]1975: 14). As Bertell Ollman additionally argues, viewing these elements separately may lead to the ignorance of the contradictions that appear in the process of reproduction of the social relations of production (Ollman 1993: 18). When examining the place of ideology in the process of capital accumulation, this study argues that class and power relations primarily shape the process of capital accumulation in Turkey. This means that the analysis of MUSIAD is not only based on the personal or institutional attachments of businesspeople to the state but, more precisely, through its relationship with productive forces, class fractions, production and exchange relations. This also relates to the international movement of capital towards different spaces at different times. This has created and reproduced unequal exchange relations, which has resulted in uneven development of different class fractions in different countries.

The global shift in the space of production transformed intra-class and inter-class relations as the international movement of capital stimulates a simultaneous internal process (Palloix 1977: 23). During this period, there were serious structural changes in state-capital relations in host countries like Turkey. This demonstrates that free trade does not only create new mechanisms for creating surplus value but also changes the internal dynamics in each national social formation. Moreover, the rise of big capital in Turkey was mediated through import substitution policies (ISI) policies and state subsidies before the 1980s, which helped the bigger fractions of capital represented by TUSIAD to establish hegemony over the smaller fractions of Turkish capital. This meant that the place of MUSIAD affiliated firms was readjusted in an uneven way. To illustrate the size-based unevenness between TUSIAD affiliates and MUSIAD member companies, this study demonstrates that there are only five companies in MUSIAD which export products worth more than \$100 million in a year. However, some TUSIAD affiliates such as KOÇ Holdings' collaboration with Ford earn more than all five of these companies together. KOÇ Holdings' exports alone total \$3.9 billion (ISO 2016: 100).

This study, therefore, uses the UCD approach to recognise and demonstrate the diffusion of capitalist classes in Turkey and the uneven development of different fractions of capital. This approach argues that every country has experienced different ways of transition to capitalism and integrated into the global free trade relations at different times (Trotsky [1930] 2000). Unevenness is the cumulative inequality produced from global integration

(Kiely 2016 :2), which resulted in international differentiation between countries in the process of transition to capitalism as well as internal differentiation in institutional and class relations (Trotsky [1930] 2000). For “combined development”, Trotsky suggests that the development of backward countries leads to a combination of different levels in the historic process (Trotsky [1930] 2000). Any country does not, therefore, need to repeat the development of the advanced capitalist countries but can adapt industrial development in advanced capitalist countries to its own backwardness (Trotsky [1930] 2000). Following Trotsky, Neil Davidson argues that UCD does not only take place between countries but also within countries (Davidson 2010: 15-16). This means that the global expansion of capital develops the advanced countries at the expense of the rest (Kiely 2010: 188), creates and deepens the unevenness between the various parties engaging in this process (Ashman 2010: 188), and leaves not only countries but also classes dominated and subjugated. This expansion has, therefore, shaped the emergence of new class fractions in host countries. Overall, the global expansion of capital led to uneven development which created diffusion among countries, regions and classes (Kiely 2016: 93).

The global expansion of free trade relations meant that capital can no longer be realised inside a single capitalist social formation (Palloix 1977: 20). This necessitated the integration of different spaces and sectors into the global realisation of capital. Considering the related dynamics simultaneously, this study argues that the global expansion of capital affiliated with MUSIAD is a direct result of the shift in the mode of capital accumulation on a world scale. The development of capitalism is not a linear progress, and the uneven development of different sectors determines the ways in which capital expands and integrates into the global relations of free trade. UCD particularly determines the means of capital accumulation in the late capitalist countries like Turkey. While TUSIAD, in some ways, resembles similar capital fractions in advanced countries, the uneven and combined character of Turkish capitalism is much more visible when it comes to analysing MUSIAD.

Nationally Oriented Capital Fractions within MUSIAD

Even though there are many studies focusing on MUSIAD from different perspectives, they do not examine how the firms belonging to MUSIAD integrate into the production process, and which mechanisms they use in their integration into global free trade relations. The study argues that MUSIAD composes of different fractions of capital which are nationally oriented SMEs, internationally oriented companies which produce for export, and transnational companies which have production facilities in different countries. This study defines nationally oriented capital fractions as the companies which produce in one single country and do not engage in production relations in different countries. This fraction of capital represents the MUSIAD-affiliated companies in the late 1980s and early 1990s. According to the reports and working papers published by MUSIAD, most of nationally oriented companies in MUSIAD operate in the construction, logistics, furniture, services, transportation, and textiles sectors (Atiyas & Bakis 2013: 12).

During the process of the internationalisation of Turkish capital in the 1980s, the Turkish state adopted more export-oriented policies to integrate into the global economy. At

the core of this integration was the insistent TUSIAD demand for deeper integration into global free trade relations so as to promote the interests in its own members in scaling-up their participation in value production. The largest TUSIAD-linked holding companies were also the major winners from this shift in the process of capital accumulation. However, the process also created various opportunities for the capital fractions organised in MUSIAD (Hoşgör 2011: 344). With reference to Nicos Poulantzas ([1974] 1975: 30), it is wise to say that since this is not a unidirectional relationship, the reproduction of the SMEs also depended on the class struggle in the social formation. Confirming Poulantzas' theory, the activities and reproduction of MUSIAD members are not constructed exclusively in relation to the activities of TUSIAD. Rather, their accumulation process reflects the class struggle between different capital fractions organised different business associations.

Contrary to the mainstream argument that MUSIAD is the representatives of Anatolian capital, the study demonstrates that nationally oriented capital fraction within MUSIAD has members from every geographical region of Turkey. However, Anatolian regions are over-represented in MUSIAD relative to their economic strength. According to the top 500 industrial firms list in Turkey published by the ISO in 2008, while MUSIAD had eleven members in Istanbul and Izmir, it had sixteen members in Anatolian provinces. This figure indicates that the traditional distinction made by large academic circles, which is *Anatolian* versus *Istanbul* Capital, is not applicable to the analysis of MUSIAD in Turkey (see **Table 1**). On the other hand, this means that MUSIAD affiliates had to operate in Anatolian provinces as major cities like İstanbul and İzmir were already captured by larger members of TUSIAD. This has created a geographical unevenness between TUSIAD and MUSIAD member firms.

Table 1: Regional Distribution of MUSIAD Members in Turkey's Top 500 Industrial Enterprises in 2008

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

Source: Buğra & Savaşkan (2014: 119).

Nationally oriented fraction is mainly composed of SMEs which produce in Turkey. As smaller fractions of capital knew that integration into the world economy was vital for their survival, they advocated the neoliberal economic policies of the Özal government in the 1980s. Accordingly, new financial networks were formed in foreign countries, which played a crucial role in transformations in the manner of the accumulation of capital by MUSIAD affiliates. For instance, Islamic banking (interest-free banking) in Turkey was established in this period in cooperation between Saudi and Turkish capital. At a later stage, the Arab share in banks in Turkey decreased and the Turkish capital established its own Islamic banking system in the 1990s. The main Islamic financial institutions formed in this period were Anadolu Finance owned by Istikbal Group, a leading furniture manufacturer in Kayseri, Ihlal Finance House, an Islamic financial institution which was closed in 2001 because of liquidity problems, and Asia Finance House which started its operations in 1996 (Syed Ali 2007: 40). The institutional responses to the Islamic prohibition on using the interest-based banking system made it easier for the member firms of MUSIAD to make sub-contracting and licence agreements with international capital to operate in Turkey as *Islamic* capital. This pattern of capital accumulation is maintained through personal relationships, and different forms of networking through religious organisations like *cemaats* and *tariqats*, which also have close relationships with political parties (Hoşgör 2011: 344).

The close relationship between the *Refah Partisi* (Welfare Party, RP) and nationally oriented capital fraction within MUSIAD reconstructed the relations of power and class within the state structure. This led an unprecedented growth of this fraction of capital. The rapid and uncontrolled growth of MUSIAD members could jeopardise TUSIAD's position as the centre of traditional finance capital. For instance, the firms affiliated with MUSIAD have accumulated almost \$50 billion through the Islamic banking system, which was relatively outside of the legal control of the government (Doğan 2006: 60). Another contradiction emerged between MUSIAD and TUSIAD in the privatisation of state's electricity provider (TEDAS) in 1997. To outbid a TUSIAD member firm in the privatisation bid, over 3000 MUSIAD members made financial contributions to launch a new firm which is called Investment Partnership Inc. (Gürakar 2016: 15). This is a clear example of why TUSIAD attempted to reduce the power of SMEs affiliated with MUSIAD in the 1990s. Islamic *cemaats/tariqats* have also played a crucial role in the development of nationally oriented fraction within MUSIAD as they provided network facilities to the companies and created a base for reaching a wide range of customers. The network relations between conservative businesspeople led to the opening-up of new channels for capital accumulation. However, the differences between informal network-based systems and formal capitalism are not simply super-structural questions of religious belief. Rather, networked accumulation involved a different style of bourgeois class formation. In relation to this, after the victory of the RP in municipal elections in 1994, the relationship between the state apparatuses and the *Islamist bourgeoisie* also transformed. For instance, the latter benefited from public funds through bids and local business networks in big cities in Turkey like Ankara and Istanbul (Yavuz 2009: 59). Despite the radicalism of aspects of the rhetoric of this period, MUSIAD in the 1990s was neither against the idea of the internationalisation of capital nor against global free trade *per se*. What they argued against was the dominant view of which markets that Turkey

should target. In short, the main strategy of MUSIAD was to challenge the domination of TUSIAD in all sectors.

Under these circumstances, the National Security Council of Turkey issued some decisions on 28 February 1997, which were based on the views of generals regarding the threat to secularism. The Prime Minister, Necmettin Erbakan, was forced to sign this memorandum, and the coalition government was ended by this process. This military intervention is called a “postmodern coup” because the constitution was not suspended, nor the parliament dissolved. The military intervention in 1997 brought a change in discourse of MUSIAD representatives (Buğra & Savaşkan 2014: 130). MUSIAD publicly declared that the capital had no colour and religion. It also became much less vocal in its criticism of the EU and of integration into the global political economy (MUSIAD 1999: 46). This demonstrates that SMEs who had close ties with the RP government realised that they would not be able to realise themselves in the current circumstances (Akça & Özden 2015), as the RP and MUSIAD were not strong enough to confront the dominant power bloc. The Constitutional Court launched a court case against MUSIAD just after the 28 February 1997 coup (Yankaya 2012: 2). As a result, the leaders of MUSIAD recommended its members not to use religious references in their commercial and promotional activities. While this was partly a strategic move in response to repression, this fraction of capital within MUSIAD was also unsympathetic to traditional Muslim mentalities towards market principles. For instance, they were in favour of competition in the free market and contended that Islam was compatible with capitalism. Therefore, MUSIAD reorganised its relations with political and civil society after the military intervention on 28 February 1997. In this sense, they supported the establishment of the AKP whose leaders represented the reformist fraction within the RP (Göl 2009: 803).

Internationally Oriented Capital Fraction within MUSIAD

This study defines internationally oriented capital fraction as the companies which produce in one single country for export. As the nationally oriented fractions adapted their pattern of capital accumulation to the global circuit of capital with regards to the necessities of global relations of free trade, they transformed into internationally oriented capital fraction in the 2000s. In this period, member firms used different network channels to find international partners in foreign countries. Firstly, internationally oriented fractions of MUSIAD mostly operated in sectors and countries which were neglected by TUSIAD members (Vardan 2012:141). This is because of the temporal unevenness which made TUSIAD members more competitive in most industrial sectors. While TUSIAD represents the transnational fraction of Turkish capitalists, MUSIAD represents the latecomers to the internationalisation process who were marginalised by the hegemony of the larger holding companies affiliated to TUSIAD.

As the UCD approach contends, unevenness is not only created between countries and regions but also within national industries and companies (Kiely 2010: 168). In the late 1990s, Turkey has experienced an internationalisation of productive capital, and some fractions within MUSIAD integrated themselves into this global process, while others were

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

Before the internationalisation of Turkish productive capital in the 2000s, the monopoly position of big capital slowed down the process of the development of smaller fractions of capital. This has led the dependency of these fractions on financial capital to speed up the process of development. However, the Organised Industrial Districts in most of the bigger Anatolian provinces and the changing power dynamics within the power bloc in the 2000s have provided an opportunity to these capital fractions to grow and increase their ability to accumulate more capital and engage in the total circuit of capital (Özden & Beymen 2017: 190). Accordingly, there has been an increase in the share of provincial cities in total exports from Turkey. For instance, the share of exports from Konya, Denizli, Kayseri, Kahramanmaraş and Denizli (in which MUSIAD has been more active and have increased their memberships) increased from 3.40% in 1996 to 7.84% in 2012 (Buğra & Savaşkan 2014: 155).

It is this period which accelerated the transformation of some of the nationally oriented fractions within MUSIAD into larger fractions which export to foreign countries and engage in subcontracting relations, such as Kombassan, Jetpa, Yimpaş, Ittifak, Endüstri, Çalık, Albayrak and Boydak Holding (Öztürk 2015: 120). This means that integration into the world economy provided smaller companies with new areas in which to produce, especially through sub-contracting (Ercan 2002). For instance, Çınar Boru Company produces pipes and tube fields, and steel products in Turkey, and exports them mainly to Georgia and Azerbaijan (Çınar Boru 2018). The largest company within internationally oriented fraction is İÇDAŞ Holding. This company is the second largest steel producer in Turkey and exports its products to more than 70 different countries (İÇDAŞ 2017). HABAS Group is another example of an internationally oriented member of MUSIAD which produces in Turkey for export. This company produces industrial and medical gauze, steel, electrical energy, heavy machinery, and also operates seaports (HABAS 2018). There are other companies which also produce in Turkey for export, such as Arbel Group which produces grain products, AK Gıda which produces dairy products, and Elita Gıda which produces liquid oil.

This internationalisation also shifted SMEs' capital accumulation strategies towards a more profitable and international pattern. The growth of MUSIAD's role in global trade is also associated with the changing patterns of Turkish foreign trade policy after the 2008-09

global financial crisis. The share of Middle Eastern and African countries in Turkish foreign trade increased after the crisis due to declining market opportunities in the EU and the USA. This meant that the member firms of MUSIAD, who were already partly oriented towards Middle Eastern trade partners, were able to play a significant role in the diversification of Turkish foreign trade (Atiyas & Bakis 2013: 11). MUSIAD also launched International Business Forums in this period and organised business trips to the USA, Germany, the UK, South Africa, Malaysia, Sudan, Russia and many other countries (Vardan 2012: 59). Accordingly, MUSIAD established the Foreign Relations Board which deals with the international activities of MUSIAD members (MUSIAD 2017). The purpose of this board, according to Ömer Cihad Vardan, is firstly to educate entrepreneurs on how to get a visa, and secondly to encourage businesspeople to invest in foreign countries. These businesspeople are then expected to transfer technology to the home country. In other words, they learn how to engage in international free trade. Another mechanism that provided opportunities for MUSIAD members to operate in global free trade system is through FTAs and international business forums. For this purpose, MUSIAD organises regional business forums with members of the Organisation of Islamic Countries (OIC) (MUSIAD 2011: 120). The first attempt to form such links was made in 2011 in Jordan, which brought 100 firms together. In this business forum, representatives of SMEs from Turkey met their counterparts from Jordan, Saudi Arabia, Pakistan, Egypt, Palestine and other countries in the region (Gıdavitirini 2011). During these trips, MUSIAD also organises meetings with government authorities in foreign countries, and among business people, and the Turkish Minister of Foreign Trade sometimes attends as a speaker and honorary guest.

Transnational Capital Fraction within MUSIAD

This study defines transnational capital fraction as the companies which engage in production relations in more than one country and whose relations of production are not dependent on a single state. In the 2000s, internationally oriented fractions within MUSIAD transformed into larger capital, which also became able to compete with the larger capital fractions within TUSIAD. The transnational fraction within MUSIAD mainly operates in the metal, construction, food and beverages industries, and hence is in lower value-added sectors than comparable TUSIAD firms. This is a direct consequence of the shift in the process of capital accumulation at the global scale, which forced transnational companies to divide the process of production into segments in countries like Turkey (Hart-Landsberg 2013: 83). In these circumstances, MUSIAD members integrated themselves into the changing dynamics of global relations of free trade. As they could produce at lower wages than western companies, they became easily adapted to the situation. Most of the transnational fraction within MUSIAD operates in industries in which labour productivity depends on lower wages and long working hours (Atiyas & Bakis 2013: 9). Although the export-oriented strategy of Turkey before the 2000s was not designed to favour the SMEs organised within MUSIAD, they have supported this process of export-oriented internationalisation due to the effects it has in terms of reduction of real wages, social security reforms and legislation promoting sub-contracting (Akça 2014: 31).

The integration of MUSIAD-affiliated companies into the global relations of free trade required them to internalise the domestic structure of production and its forms of surplus value extraction. This required them to increase their appropriation of relative surplus value as well as absolute surplus value. As a result, the capital groups organised in MUSIAD which have previously concentrated on extracting absolute surplus value would have to reorient their process of production towards the appropriation of relative surplus value through technology transfers. Accordingly, the transnational fraction within MUSIAD has started to operate production facilities in different countries. For instance, Tosyalı Holding has wire rod and steel producing facilities in Algeria (Tosyalı 2018), Ülker Holding has production facilities in six different countries and some of these are subcontracted to transnationally operating capital (ÜLKER Holding 2018). Another significant example of a transnationally operating company within MUSIAD is AGT Ağaç San ve Tic A.Ş. This company operates in the wood industry, and produces MDF, MDF-LAM panels, and profiles in the city of Antalya in Turkey. It also exports to more than sixty different countries. It has a production facility in Iran and engages in transnational production (AGT 2018). Another example of this fraction is AYTAC company which produces meat and meat products. This company has a production facility in Belgium and exports to different countries in Europe, the Middle East and Central Asia (AYTAC 2018). This means that some MUSIAD affiliates are in a way part of transnational capital.

The transnationalisation of production has also affected the production structure inside the country. Some of the companies in provincial cities in Anatolia, such as Kayseri, Gaziantep, Konya and Denizli have started to engage in production facilities in different countries and increased their share in the export volume of the country. Despite the increase in the engagement of provincial cities in the relations of production and global free trade relations, these provincial cities have not grown at the expense of metropolitan cities like Istanbul, Bursa and Izmir. It is still the case that the main winners from global integration were big capital groups in metropolitan cities. However, the profits of SMEs in provincial cities also significantly increased (Hosgor 2016: 121). This means that the provincial cities in which MUSIAD affiliates are primarily active are becoming relatively more significant, at the same time these metropolitan cities are becoming more integrated. Among other things, metropolitan cities like Istanbul have become the centres of financial activities while the base of production has shifted towards provincial cities. It should also be remembered that most of the bigger companies in TUSIAD expanded their base of production towards countries in the Middle East and China since the cost of production is much cheaper than in Turkey.

Another significant consequence of the transnationalisation of MUSIAD affiliated firms is that MUSIAD members had the chance to use more labour power. As an illustration, they employ the labour power of 1.6 million workers in Turkey (MUSIAD 2017b). This represents a remarkable growth of firms represented by MUSIAD, but these firms have relied to a large extent on the hyper-exploitation of their workers. According to the figures published by TUIK in 2016, 59.7% of SMEs operate in low value-added sectors (TUIK 2016). Although MUSIAD encourages its members to focus on producing high-tech products and to create more added value (MUSIAD Ankara 2017; MUSIAD 2012: 112), a deeper look at the production structure of the firms represented by MUSIAD demonstrates that most of the MUSIAD members still operate in low value-added sectors like furniture, construction and

services. In general, the form of surplus value appropriated by the SMEs is more brutal than that of larger-scale sectors, and paternalistic relations have become a deterministic feature in terms of regulating the social relations of production in which MUSIAD-affiliated firms engage. For instance, workers in MUSIAD-affiliated firms were less likely to sign up to collective bargaining, and these firms discouraged their workers from forming trade unions (Doğan 2006: 54). The corrosion of labour rights is also encouraged by some firms represented by MUSIAD on the basis that there is no need for a secular labour code if working conditions are characterised by the functioning of Islamic principles (in practice, paternalism). MUSIAD also encouraged the government to make reforms which would modify capital-labour relations in ways which encourage flexible working hours and contracts (MUSIAD 2011: 125).

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

Conclusion

This study examined the uneven and combined development of MUSIAD affiliates in Turkey. It also uncovered the differences between Turkish capitalist classes focusing mainly on MUSIAD affiliated companies. The study argued that the unevenness between TUSIAD and MUSIAD arises from the expansion of global free trade, which has generated enormous imbalances between and within different fractions of capital as well as in the spatial effects of the international process of accumulation. Firstly, the study demonstrated that the reason

behind why MUSIAD firms lagged far behind the TUSIAD affiliates is more material than ideological. The study, therefore, highlighted the hegemonic framework which reduces the contradictions and tensions between MUSIAD and TUSIAD to conflicts among sects and cultures and ignores the class-based nature of the conflict. In other words, neither the institutionalists nor the neoclassical-liberal approaches take sufficient account of class-based socio-political relations of production. In their examinations of MUSIAD, the focus on religious and cultural elements take place at the expense of understanding its capitalist institutionalisation, and these hegemonic approaches refuse to take notice of the class-based activities of SMEs organised in MUSIAD and the connections between the social relations of production and the state. They also treat business associations and the state as engaged in purely external relations, which leads them to ignore the dialectical relationships within the state and between the capital fractions in the dominant power bloc.

What differentiates this study from mainstream studies is the analytical priority accorded to class as a relation and process, and additionally, the understanding of ideology as a constituent part in the process of reproduction of social relations of production, which is important to mediate class relations, rather than as a simple matter of religious or political belief. It argued that most of the firms represented by MUSIAD are SMEs which are mainly based in local provinces and were not ready for integration into global relations of free trade until the end of the 1990s. It is also revealed that there are three different fractions within MUSIAD. The first is nationally oriented capital fractions which produce in Turkey for the domestic market. The second fraction, which is the dominant one, is the internationally oriented fraction which produces in Turkey for export. The third fraction is the transnationally operating companies, which produce in different countries.

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

The study also demonstrated that the transnational expansion of capital and the shift in the base of production increased the extent to which SMEs integrate into global relations of capital accumulation, a situation which has led to the emergence of new structural and institutional forces governing the relations between capital and the state apparatuses. In this regard, dividing the process of production into different sub-processes and places became essential for the reproduction of capitalist relations. As a result, the base of production was shifted towards provincial cities where MUSIAD-affiliated firms are able to exploit flexible working conditions and lower wages. This means that smaller fractions of capital had the chance to use labour power more efficiently because of the lower costs and patronage

relations in the provincial cities. This study, therefore, argued that the rise of MUSIAD changed capital-labour relations in Turkey. To conclude, this study argues that the uneven development of MUSIAD affiliates is a direct consequence of the timing off in the process of beginning to accumulate capital and integrating into the international relations of production.

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